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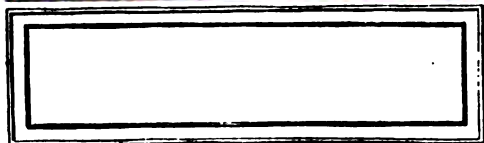
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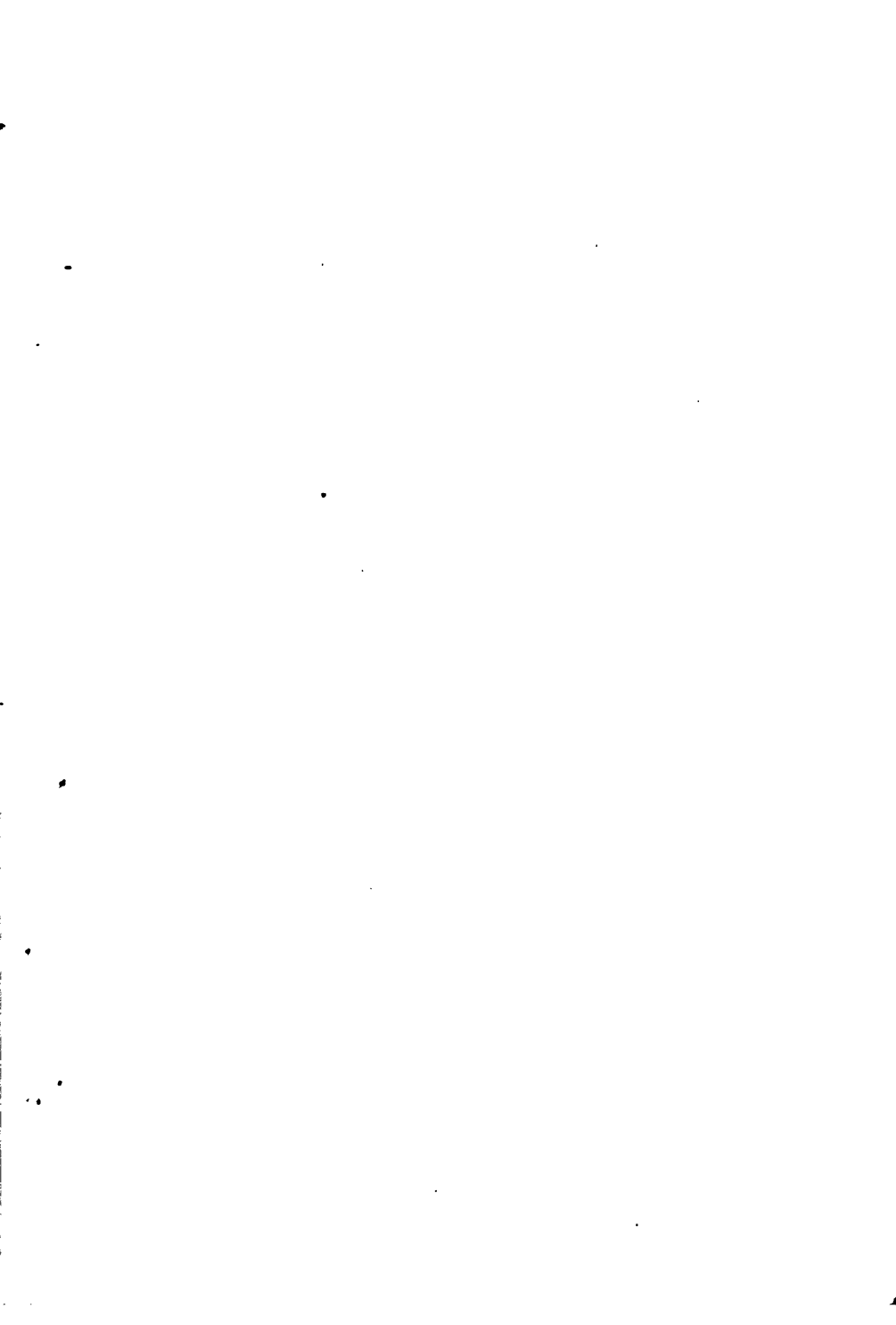
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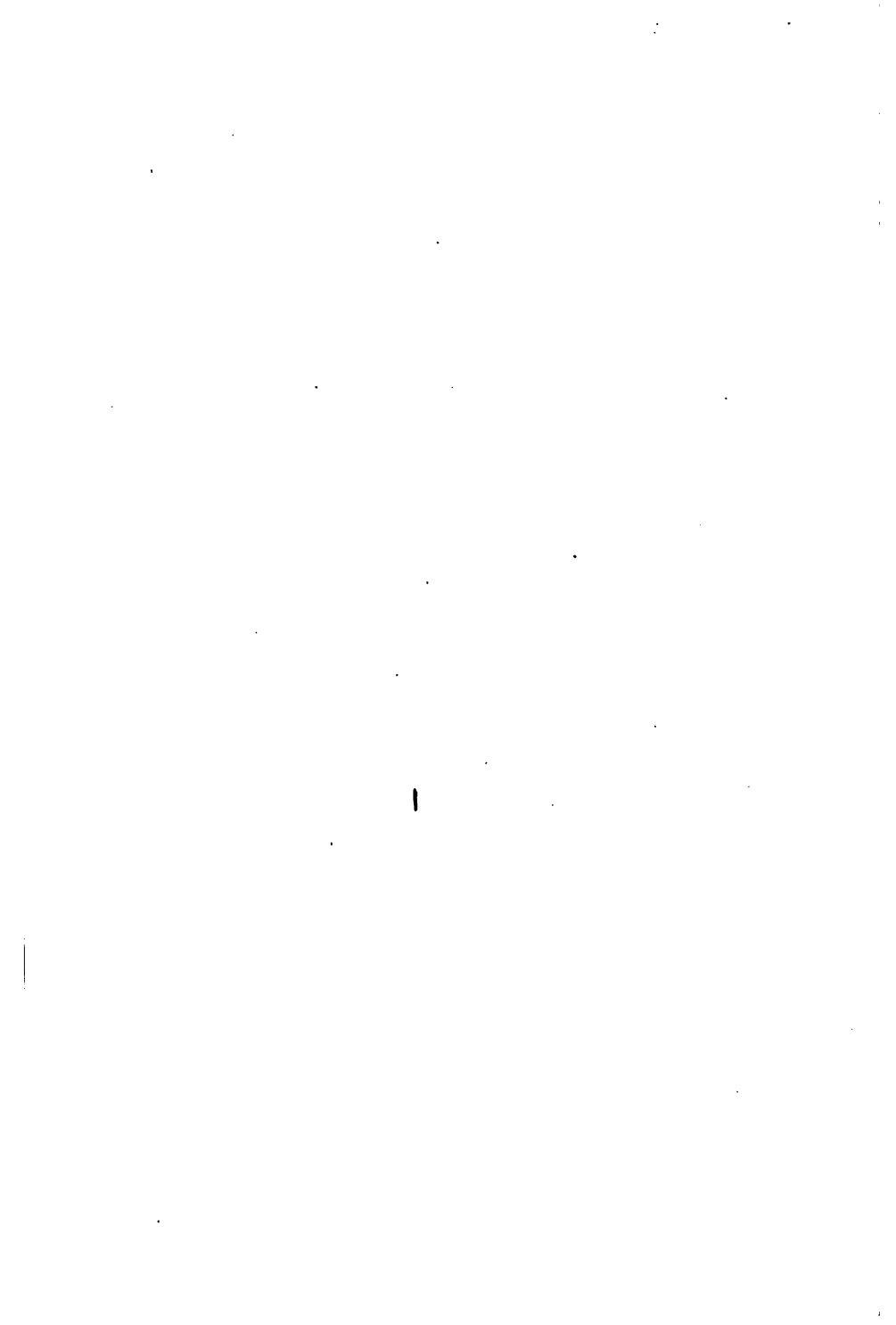
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THE HIGH COST OF LIVING

THE HIGH COST OF LIVING

BY

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PREFACE

THE high cost of living is not a war product. The war hastened tendencies. It aggravated conditions. It gave opportunities for speculation and extortion. But the cost of living was rising rapidly before the war. And it will continue to rise when the war is over unless radical steps are taken to prevent it.

The last few years have witnessed a change in the economic foundations of American life. Competition is passing. Monopoly has entered into almost every process of industry. The laws of demand and supply no longer protect us. A host of intermediaries have wedged themselves in between the producer and the consumer, each one of which is interested in taking as large a profit for himself as possible. This is not only true of food, it is true of almost every necessity of life. Even more important, the control of the land and resources of the earth has diminished production. It has excluded men from the land. It has limited the opportunities of labor. It has checked initiative. It has reduced the amount of wealth produced.

Monopoly is responsible for the conditions which confront us. It operates in the following ways:

It controls the natural resources, the agencies of

transportation, distribution, and marketing. It has increased prices. It has discouraged agriculture. Tribute is exacted from the consumer at one end of the line and the producer at the other.

It reduces the output of wealth of all kinds.

It limits the opportunities for labor and keeps down wages and salaries.

What we are most in need of is freedom; freedom of access to the hundreds of millions of acres of land that are held out of use; freedom of access to adequate transportation; freedom in distribution, in marketing, in competition all along the line. Monopoly stifles. It strangles the labor and industry of the nation. It short-circuits the efforts of the manufacturer and the farmer. Colossal as is the output of wealth in this country, the possibilities of production have scarcely been touched. The talent of the country is not free to apply itself as it would if the land and resources were opened up to use. Freedom is the great need of America, freedom from monopoly in all of its forms, but most of all in its control of the land, of transportation, of credit, and of distribution.

It is not the tribute that monopoly exacts, it is the embargo on production that is most costly.

These evils can only be corrected by law, by legislation. Exhortation will not bring relief. Nor will criminal proceedings, trust-busting, or regulation of prices. We have tried this kind of regulation for a

generation and monopoly has grown rich and powerful under it. Monopoly now prefers regulation. It is a guarantee against competition and government ownership. The farmer cannot secure relief by his unaided efforts. Nor can the consumer. Relief will only come when the conditions surrounding agriculture and the means of distribution are radically altered. This can only be done by law. And legislation will only represent the producing classes and the consumers when the monopoly interests which now control our life are driven from power and the state becomes an agency of service, of co-operation, of a new freedom. When people rather than privilege rules, then the food problem, the agricultural problem, the social problem will be open to solution.

I have received valued assistance in the preparation of this volume from Miss Gertrude Borchard, assistance which I desire to acknowledge.

FREDERIC C. HOWE.

NEW YORK, September, 1917.

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THE HIGH COST OF LIVING

CHAPTER I

THE FEEDING OF THE NATION

THE feeding of the nation has been left almost wholly to chance and to unorganized, uncontrolled agencies. Production and distribution have been permitted to evolve from the conditions of a half-century ago into the highly complex relationships of a whole nation, if not the entire world, with but little official concern for either the producer at one end of the line or the consumer at the other.

Before the coming of great cities each community sufficed for itself. The marketmen or local grocer bartered for food with the neighboring farmer, and the laws of demand and supply regulated production and kept prices at a reasonable figure. This was the condition up to a few years ago.

Cities grew. The nation became a market. The Northwest entered into competition with New England, and California and Florida with the local truck-garden. The steamship widened the market into the world. Canada and the American Northwest, Russia, Australia, and South America produced for the industrial workers of the world, and the prices of cereal and meat products were fixed in London and Liverpool. Refrigerator-cars brought

THE HIGH COST OF LIVING

the fruits and vegetables of Florida and California closer to New York than the near-by farm of earlier generations, while the cold-storage plants and terminal warehouses made it possible for perishable commodities to be held for months or years for their ultimate market.

Prices were fixed not only by a world market but by an all-the-year-around market. The price of butter and eggs in April was fixed in the previous November, just as the price of meat and growing crops was fixed during the harvesting season.

With all these revolutionary changes, with the refrigeration devices and the means for placing the products of the world upon the breakfast-table, the control of a multitude of agencies as well as the production and distribution of food was left to the anarchistic, chaotic direction of thousands of individuals, each of whom was thinking only of maximum profit to himself rather than of the service he was performing for the nation.

Only in a few countries—notably, Australia, Denmark, and Germany—has the control of food been viewed as a matter of government concern or subjected to a unity of direction in the interest of the producer and the consumer. And these countries have worked out means for social control of food in the interest of the nation. In most of the other countries, and in America in particular, the subject has been left to the unregulated license, not of the

producer, not of the consumer, but of the distributing agencies which have it in their power to control not only prices but production as well. Unregulated private banking and usury have contributed still further to the disorganization which prevails, while no official concern has been shown for the economic foundations of agriculture, the relation of the people to the land.

The extent to which this whole subject of the feeding of a people has been neglected is indicated by a comparison with finance or industry. To-day the credit of America is organized in every detail. The control of our monetary resources has been so mobilized that it is under the direction of comparatively few men, subject to regulation by the Federal Reserve act. The weekly deposits of the wage-earner in a distant mining-camp are effective for credit purposes in distant China or South America as soon as they are deposited. The total resources of a bank in a farming community are readily mobilized for a two-billion-dollar loan through the district reserve cities, and from them to New York. The credit resources of the country are known, as are the liabilities. Just as the tiny stream emerging from the mountain slopes of Colorado ultimately finds its way to the Gulf of Mexico, so every dollar in every bank in America is potentially organized for the doing of the work of America every moment of time. Yet credit is merely an agent, an agent for production.

And one of its primary purposes is the feeding of the people and provision for their wants.

That which is true of credit is true of many industries as well. The great steel corporations are self-contained industries reaching out to different sections of the country, or even to distant lands, for the more efficient performance of their functions. These corporations own great iron-ore deposits in Minnesota and northern Michigan, in Cuba, and in other foreign parts. They own their own coal-fields and coking plants. They own natural-gas fields and limestone quarries. They own great fleets of vessels which ply upon the Great Lakes, while thousands of miles of railroad have become integral parts of their industrial processes. The Standard Oil Company is a world-wide agency. It owns oil-fields not only in America and Mexico, but in Russia, Roumania, and, in fact, all over the world. It owns fleets of sailing vessels, pipe-lines, and oil-tank cars; it manufactures almost everything that it uses in connection with its activities. It is far more than a self-contained industry. It owns or indirectly controls banks, trust companies, and hundreds of related industries. The American Tobacco Company reaches from the tobacco plantations of the United States and Turkey to its distributing agency in almost every city in the land. The United States Rubber Company owns rubber-plantations, while the sugar-refineries own sugar-plantations in Cuba,

Hawaii, and elsewhere. Every great industry, in fact, is organized and integrated. It has eliminated one profit-taking intermediary after another between the soil and the consumer. It acts with a single mind. It knows from day to day the raw materials available, and through its nation-wide or world-wide statistical bureau it knows the fluctuations in demand. Financial knowledge and industrial knowledge have been mobilized in a hundred great private corporations, and their control has been so concentrated that all of the more important industrial activities of America are susceptible of control from half a dozen great offices, for the most part situated in New York.

Yet, while this perfection has been achieved in banking, transportation, and industry, the greatest concern of all, the feeding of the people, is wholly unorganized, wholly disintegrated, and up to the present time has not even been studied from the point of view of the producer and the consumer. It is hardly too much to say that the feeding of the people is primarily under the control of the distributing and credit agencies of the nation, which, guided only by the desire for private profit, determine, indirectly at least, how much shall be produced, how much shall be paid for the labor of those who feed America, as well as the price that the ultimate consumer shall pay. And springing from the private control of this, the most important need

of the nation, many consequences have followed, consequences which are directly traceable to the neglect by the nation of fundamental economic conditions which must coexist if sufficient food is produced on the one hand and sufficient food is consumed on the other.

It is true, the Federal Government has elevated agriculture to a place in the cabinet. Congress appropriates annually over \$20,000,000 for the maintenance of the Department of Agriculture. It gathers information; it encourages production; it advises the farmer about soil, planting, and the care of his farm; it studies soils and the breeding of cattle; it distributes market reports to aid him in the sale of his produce. Nearly all of our States, too, maintain agricultural colleges for the training of boys and girls in scientific agriculture. They teach dairying, farm management, and the production of pedigreed seeds. Farming is being elevated to a science and the potential output of the land is being increased by all these processes. And year by year science is demonstrating that there is no known limit to the yield which can be secured from the land. It has been estimated that 20,000 men properly organized can feed 2,000,000. And the studies of agricultural experts have shown that, with sufficient labor applied, enough food can be produced on a tiny bit of land to feed a family. Agricultural science has already demonstrated that the limits to the possibilities

of nature have not been reached in any country and that many times the present population of the world can be adequately and comfortably fed by the use of the knowledge already existing.

Yet, despite all this expenditure of money and effort, despite the discoveries of science and the introduction of improved machinery, despite the substitution of steam and gasoline for horse-power and the increase in the effectiveness of human labor, the question of feeding America becomes more acute each year, while the high cost of living is a problem which worries not only the worker but the middle classes as well. The war has made this problem acute, so acute, in fact, that the war has passed from one of man-power and munition-power into one of food-power. Not only is this true of Austria-Hungary and Germany, it is true of England, Russia, and France as well. And now America is confronted with the same problem, which is becoming so acute that the public-school classes have been dismissed in order that boys and girls may be organized for the planting and harvesting of crops. The whole nation has been urged to cultivate its back yards and to utilize heretofore neglected fields and parcels of land. The people have been urged to economize, to husband their food supply. Dietary statisticians suggest the substitution of cheap cereals, and the worker is solicitously informed that he can live upon a rice diet if he but makes up his mind to do so. Even the

saving of potato-skins has been urged upon the workers by advertisements appearing in the metropolitan press. The farmer is being indignantly prodded to increase the acreage under cultivation, to labor a little harder, while the consumers are appealed to to limit their consumption, already reduced far below the American standard of living by famine prices.

Yet with all these appeals, with the chambers of commerce and countless other organizations bending their efforts in these directions, little organized, intelligent thought is being given to the real problem. Why do boys and girls leave the farms for the cities? Why do the farmers desert their holdings to become motor-men or workers in the city? Why is our agricultural population relatively decreasing and the acreage under cultivation increasing but slightly in amount? Why, with all the aids of science and countless agricultural experiment stations, is agriculture less attractive than it was to our fathers, and why does the per-capita wealth produced fail to respond to all of the improvements in agricultural production? Why have so many of the advances in civilization passed by the farmer? Why is agriculture a neglected if not a despised profession, and why among other industrial classes does the farmer feel that he is of least concern to the state? Why do agricultural organizations like the Greenback movement, the Grange, the Equity, and more re-

cently the Non-Partisan Farmers' Alliance of the Northwest periodically appear in politics, make a gallant fight, and then their members settle down to a kind of political despair? What is the matter with our food supply? What is the trouble with agriculture as a profession? To what is the high cost of living really attributable and with it the health of our children and the lowered standard of living of our people as well?

It cannot be that this problem is insoluble. It cannot be that a civilization that can perfect wireless telegraphy, the flying-machine, and the modern battle-ship; that can organize science to systematize warfare—it cannot be that a people who are able to perfect medicine and whose discoveries have speeded up science in every realm of life is impotent before this, the greatest social problem of all, the feeding of the people. There must be knowable economic reasons which underlie the discouragement of the farmer and the decadence of his industry. It must be possible to trace the economic forces at work to their source, and after ascertaining the proximate causes for these conditions to correct them by constructive political action. We have done this in industry. We have produced the dollar watch, the \$350 automobile, marvels of mechanical and engineering skill. Electricity has been made the servant of man, aiding him in a million ways. The power of Niagara has been harnessed and is

distributed for thousands of miles to cities, towns, and individual factories. The desert lands of the Far West have been reclaimed by the storage of water, and heretofore barren wastes have been made to yield three or four crops a year. The bottoms of the sea have been compelled to yield up their secrets, as have the inscriptions of prehistoric times. Yet to-day the first industry of man, that of keeping himself alive, remains the least organized and certainly the least socialized of any modern service.

CHAPTER II

OUR AGRICULTURAL POSSIBILITIES AND PROBLEMS

THE explanation of these problems is not to be found in the niggardliness of nature or the character of our people. There is land enough and water enough and labor enough to produce all the food we need. As a matter of fact, the United States should be the cheapest country in the world in which to live. Ours should be a land of overflowing abundance; not for the few but for everybody; not of a few articles but of every kind of food. Wages are high, it is true, but labor is more productive here than elsewhere. We have perfected machinery as have no other people, and it is more universally used. We have resources more fertile than those of all Europe. We have every variety of climate and every kind of food. The soil is so fertile that it needs but little enrichment, while our race is recruited from the most versatile in Europe. No people have been so inventive; none have harnessed steam and electricity to increase the power of man, and nowhere, unless it be in Australia, is there so large a product per man as in the United States. There should be no difficulty about food, fuel, houses to live in, or

any of the ordinary comforts of life if we had conserved and utilized our opportunities as we should have done.

And there was no food problem up to a very few years ago. Food was very cheap. This was true of all the staple articles, of meat, vegetables, fruits, poultry, and dairy products. Food was so cheap that we wasted it. Even the poor wasted it as of little value. There were no high-cost-of-living investigations and no real complaint from the farmer or consumer.

There is, obviously, land enough to feed ourselves and all our friends, and feed them in abundance. Of that there is no doubt. We could maintain ten times our present population if the land were cultivated as it is in some portions of the world where intensive agriculture has been perfected. The farm acreage of the United States is nearly seven times that of Germany, with her 67,000,000 people, or of France, with 40,000,000 people. This is without considering the billion odd acres not yet appropriated or unavailable for cultivation, which is equal to all the land under tillage at the present time.¹

¹ The total area of the United States, exclusive of Alaska, is 3,026,789 square miles or 1,937,144,960 acres. Of this total 290,759,000 acres remain unappropriated for one reason or another, while 16,522,000 acres are still in public or Indian lands. In 1910 there were 6,361,502 farms in the country and 478,451,750 acres in improved and 400,446,575 acres in unimproved farms. All told, the farm acreage of the United States in 1910 was 878,798,325 acres. Of the total area of the country only one-fourth was in improved farms.

France almost feeds herself, while in Germany, with all her intensive agriculture, there are great stretches of land that are held in great estates and are in a backward state of cultivation; and Germany could be placed inside the State of Texas and leave enough room round about the edges for Switzerland.

We have not yet begun to crowd one another in this country, for people are living at the rate of only 33 per square mile. In little Belgium, the land of intensive agriculture, there are 671 persons to the square mile; in France there are 191; in the United Kingdom, 379.47; in Austria-Hungary, 197.31; in Switzerland, 236.97, and in Denmark, which country feeds herself and contributes a great part of the food supply of Great Britain and Germany, there are 183.56 persons per square mile.

Only a small part of the land in the United States is cultivated at all, and a much greater part is cultivated wastefully or inadequately. Only about one-half of our cultivable area is under cultivation. Even in the State of New York, with the best and most extravagant market in the world at its doors, only 37 per cent. of the agricultural acreage is under cultivation, or 8,200,000 acres out of 22,000,000 acres. And in that State, with its population of 10,000,000 people, only 375,000 are agriculturalists, and 9,625,000 are engaged in other pursuits.

While we have land in abundance and of the most fertile kind, while we have invented and perfected

farm machinery, while the telephone, the trolley, the motor-car, and the railroad have made communication easy, transportation cheap, and life in the country far more attractive than a generation ago, certain things are happening to agriculture that, unless checked, will inevitably bring about conditions similar to those in Great Britain, where four-fifths of the people live in the city while the countryside is denuded of people, and the food supply of 43,000,000 people is brought in from the United States, Canada, Australia, South America, and Denmark.

Among the outstanding facts bearing on the subject are:

One—a rapid, unprecedented increase in the price of food

Two—a stationary production or substantial falling off in the gross amount of food produced.

Three—a wide-spread sense of discouragement on the part of farmers, a discouragement which is justified by conditions.

Four—a rapid increase in the population of our cities as compared with the rural population. In 1900 the urban population of the United States was 31,609,000. Ten years later the number had increased to 42,623,000, an increase of 34.8 per cent. During the same period the rural population increased from 44,384,000 to 49,348,883, or an increase of 11.2 per cent.

Five—during the decade 1900–1910 the number of farms increased from 5,737,372 to 6,361,502, or an increase of 10.9 per cent., while the total improved and unimproved land in farms increased by but 40,206,551 acres, or only 4.8 per cent. Yet while the increase in farm acreage was but 4.8 per cent. the increase in the value of the land was 118.1 per cent. The agricultural land of the country in 1900 was valued by the census at \$13,058,007,995. Ten years later it was valued at \$28,475,674,169. While the rural population increased 11.2 per cent. and the acreage under cultivation 4.8 per cent., the value of the land under cultivation increased 118.1 per cent. and the value of the land per acre 108.1 per cent.

Six—of the total of 878,798,325 acres in farms in 1910 only about one-half was improved, there being a total of 400,346,575 acres that were unimproved.

Seven—the working of farms in the United States is steadily and rapidly passing from the hands of owners to those of tenants with little interest in efficient agriculture or the improvement of their holdings. In 1880 25.6 per cent. of all farms were operated by other than owners; in 1890 the percentage had increased to 28.4 per cent.; in 1900 it had increased to 35.3 per cent., and in 1910 it had still further increased to 37 per cent. In some parts of the country from 60 to 70 per cent. of the farms are cultivated by tenants for non-resident owners.

Here are some of the economic factors underlying the food problem. They are not reassuring. They indicate a decay of agriculture. If unchecked they involve national disaster. They mean a continuing increase in the cost of living, a lower standard of living, a decadence of the state, and ultimately a nation of city dwellers on the one hand and a farming peasantry on the other, like that found in other countries where the tendencies at work in the United States have reached their logical conclusion. Rome passed through such an evolution. So did modern England. Ireland lost half her people because of bad agricultural conditions that were only arrested when the nation undertook a comprehensive agricultural policy in the land-reform legislation inaugurated by Gladstone.

America is finally awakening to the seriousness of the food problem. We may be led to a study of agriculture and the economic legislation necessary to make farming more attractive. For the ultimate evil is to be found in the economic foundations of agriculture, which must be radically changed.

First let us consider the present high cost of living and the immediate measures for relief. For that is the immediate condition to be remedied.

CHAPTER III

THE COST OF LIVING AND THE FOOD SUPPLY

"PRICES are fixed by the law of demand and supply," the speculators say. "If the demand is in excess of the supply prices rise; if the supply is in excess of the demand prices fall. We do not make high prices. The laws of political economy do. You must suspend her laws, not punish us, if you do not get enough to eat or have to pay more than you like for food."

That prices are fixed by demand and supply is a principle of general application when competition is free and no obstacles prevent the free play of competition. Moreover, if the supply of some article of general consumption is only a little below the demand prices tend to rise far above the prices which should otherwise prevail. Then as prices advance the demand slackens and a new equilibrium is established. This was the condition which prevailed in our food supply up to a few years ago when the local market established prices. The farmers made a comfortable living, and the cost of food was not an item of serious consideration to any save the very poor. Food was abundant and prices were low, as they should be in this country. For food

should be a small item in our budget even with the prosperity and the great export demand which now prevails.

But the price of food has mounted skyward. The poor are suffering from actual want. Persons of reasonable incomes do not get enough to supply their needs, while those of relatively large incomes feel the pinch of the cost of meat, poultry, eggs, butter, sugar, and many articles that a few years ago were the commonest of articles upon their tables.

Is there any justification for this situation? Are the speculators justified in their defense? Must we control the laws of demand and supply, or is the trouble that the law of demand and supply is not permitted to operate and prices are fixed arbitrarily by the speculators who have themselves created scarcity conditions?

Statistics of prices and food supply seem to demonstrate several things:

One—that the prices we are paying are far in excess of what we should pay, even with the law of demand and supply freely operative;

Two—that there is not as much food produced per capita as there should be and not nearly as much as could easily be produced; and

Three—that the government must step in and insure the free play of the law of demand and supply and also suspend the operations of the law when the supply is so much below the demand that artificial

and monopoly prices are created by its operation. In other words, the farmer and the consumer should be given the fullest possible assurance of free competition and the consumer should be protected from any monopoly price because of a shortage.

First, as to the increase in costs of food and the condition of the great mass of the people in consequence.

The April, 1917, *Review* of the United States Bureau of Labor Statistics, discussing the rise in wages as compared with the rise in the price of food, says that while the former rose nine points from 1912 to 1916, retail food prices rose twenty points. Food rose in price twice as rapidly as wages. In the four years from February 15, 1913, to February 15, 1917, flour increased 69 per cent., eggs 61 per cent., and potatoes 224 per cent., says the same authority. Anthracite range coal sold in New York for \$5.00 a ton in January, 1915. In January, 1917, its price was \$8.75 a ton.

Mr. Amos R. E. Pinchot, in a statement presented to the Senate Committee on Finance in the spring of 1917, stated that the rise in wages in the five years, 1912-1917, was less than 18 per cent. In the case of most professional people, shopkeepers, farmers, etc., there has been no appreciable increase at all. On the other hand, the cost of living has gone up to such a degree that, according to the figures in the *New York Times Annalist*, April 23, 1917, the prices

of the twenty-five most common and necessary food commodities of the average family have almost doubled between April, 1915, and April, 1917. According to Dun's index figures dairy and garden products increased 84 per cent. in price between April 1, 1914, and April 1, 1917. Meat went up 46 per cent. in the same period; clothing 49 per cent.; metals 69 per cent., and foodstuffs 105 per cent. The figures of the Old Dutch Market, Incorporated, of Washington, D. C., show that during the period mentioned there was an average increase of 85.32 per cent. in a list of sixty table necessities, including meats, canned goods, eggs, vegetables, etc. As a consequence, the poor can no longer buy the same quality of food they were previously able to obtain, nor can they buy in adequate quantities.

This is also the testimony of the food committee appointed by the Commissioners of the District of Columbia, which stated:

"Interesting figures were obtained," says the committee, "from the proprietors of some of the smaller stores whose business is with the poorer people. They show clearly that the poor have been compelled to resort to the strictest economy in order to provide food, on account of high prices. Their purchases are of the cheapest possible articles, and in smaller quantities than heretofore. The sale of ordinary cuts of meats in this class of stores seems to have been discontinued, and the meat now pur-

chased consists of hog livers, hog kidneys, neck bones, hog faces, etc."

That similar conditions hold true in the poorer sections of New York is evidenced by the testimony of Miss Helen Todd, who was appointed to investigate the effect of the high cost of food on school children and reported that their scholarship had been measurably lowered through malnutrition.

In the important item of shoes we have the word of Mr. James Coward, the well-known shoe manufacturer, that staple shoes that were sold at \$3.95 a pair two years ago sell to-day for \$6.50. Kidskin that was 32 cents a foot a year ago is now 80 cents a foot. And the price of shoes is still climbing, with the prospect that there will be a still greater increase this year than last.

Contrasted with these hardships which affect the great bulk of our people is the economic position of 2 per cent. of them, who own among them 65 per cent. of the country's total wealth.¹ It is to this class and those just below them that the great prosperity about which we have heard so much lately has fallen. They are the stockholders and directors of the big corporations which have grown rich on war profits, the holders of stock in the munitions industry, and the directors of the loan-floating bank syndicates. War profits have not gone to clerks, teachers, professional men, or persons with a fixed

¹ Estimate of Professor King, of the University of Wisconsin.

income. They have increased wages far less than they have increased costs of food, fuel, clothes, and rent, but they have enriched the privileged classes and the producers of war materials and supplies enormously.¹

Is there any justification for this increase in the cost of food? Was there such a shortage as explains the increase of 84 per cent. in dairy and garden products and 105 per cent. in foodstuffs between April, 1915, and April, 1917, as reported by the *New York Times Annalist*.

Secretary of Agriculture, Mr. Houston, says that high prices are not due to actual shortage. There is enough food produced. Despite a 33 per cent. increase in population between 1899 and 1915, the production of food per capita has remained substantially the same in many staple foods. It has increased in some and only fallen in a few. His figures of food production for leading articles of food, as stated in a published interview, are given in table on opposite page.

The per-capita production of sugar has increased threefold in sixteen years; in eggs there is a slight increase reported, but in meats, milk, and cereals there has been a substantial falling off. Yet the price of sugar has risen as have other articles, while those cereals in which there has been an increase in

¹ From statement and statistics presented before Senate Committee on Finance by Mr. Amos R. E. Pinchot.

production have acted much as have those in which the production has fallen.

We are not therefore paying a scarcity price but

FOOD SUPPLY OF THE UNITED STATES

	TOTAL PRODUCTION	PER-CAPITA PRODUCTION
	Meats—beef, veal, mutton, and pork (pounds)	
1899.....	18,865,000,000	248.2
1909.....	19,712,000,000	213.9
1915.....	22,378,000,000	219.6
	Milk (gallons)	
1899.....	7,265,804,304	95.6
1909.....	7,466,406,384	81.0
1915 (estimated) .	7,696,844,000	75.5
	Eggs (dozens)	
1899.....	1,214,000,000	17.0
1909.....	1,591,000,000	17.3
1915.....	1,811,000,000	17.8
	Cereals—corn, wheat, and rice (bushels)	
1899.....	3,333,868,710	43.9
1909.....	3,257,407,468	35.3
1915.....	4,094,986,399	40.2
	Potatoes (bushels)	
1899.....	273,318,167	3.6
1909.....	289,194,965	4.2
1915.....	359,103,000	3.5
	Sugar (pounds)	
1899.....	486,006,871	6.4
1909.....	1,688,390,143	18.3
1915.....	2,025,680,000	19.9

a price either artificially created by speculation or a price unduly high because the supply is not up to the reasonable demand of the country, just now

enjoying an unusual degree of prosperity, in which the shortage of supply has given the whole output a higher value than should prevail. Speculation is unquestionably responsible for a great part of the increase. And some method of price-fixing may be necessary, even with speculation eliminated, to keep down prices due to the shortage of some supplies.

But the startling fact is that food production per capita in the United States is falling. Despite all of the contributions of the government, of agricultural schools, of farm machinery, there is less food produced per capita than there was sixteen years ago. Something is the matter with agriculture in America. These conditions will be discussed in later chapters.

First let us consider as to whether the alleged food shortage explains the great increase in prices and the extent to which the supply of food and its price has been artificially controlled by the distributing agencies, middlemen, speculators, etc., which have come into so much prominence in this field during the last ten years.

CHAPTER IV

GAMBLING IN WHEAT

A GREAT part of our wheat, the great food staple of the world, comes from the American Northwest. This is the country's granary. But the farmer does not fix the price of wheat as do other producers of their products. He does not even deal with the buyer. The price of wheat is fixed for the most part quite arbitrarily by the grain exchanges and stock-market quotations in Chicago and Minneapolis. And although the farmers produced a billion odd bushels of wheat in 1916, and although the price reached almost prohibitive figures to consumers, the farmers have not received any war prices as have the munition-makers, steel-mills, coal and copper miners, and other industries stimulated by the war. The war profits of the farmers have gone to speculators of the grain exchanges of Chicago and Minneapolis, which are the price-fixing agencies of wheat, corn, meat, and other staple articles of food. This is one of the strangest anomalies of our life. The price of the chief article of food for a great part of the civilized world is fixed by a group of men in the grain-pits of Chicago and Minneapolis who have no interest whatever in wheat except as a commodity

whose universal use makes it the easiest of all things in which to speculate.

Chicago, with its railroad-lines stretching out into all sections of the country, is the headquarters of the trade in produce. Yet only a negligible part of the wheat of the country finds its way to this centre. In 1915, out of 1,000,000,000 bushels only 50,000,000 bushels were actually received in Chicago. But the board of trade fixes the price of all wheat, either directly or indirectly. It sells paper wheat in its daily speculations, and the quotations of the pit are the market prices of the country. Prices of other commodities are fixed in the same manner. And the prices quoted from day to day have no relation to supply or demand, although the reported supply is used as a justification of the speculators' prices.¹

For instance, in 1916, when the price of wheat and flour rose to a high figure, the crop was large enough to cover all domestic needs and leave a surplus of 122,000,000 bushels for export. Since the beginning of the wheat year, July 1, 1916, down to December only 68,000,000 bushels of the surplus had

¹ The Chicago Board of Trade, which with the Minneapolis and Milwaukee organizations is the chief grain-pit of America, speculates daily in about twenty-five million bushels of wheat, which is about twice the amount of actual wheat received in Chicago in a year. Members of the Minneapolis Chamber of Commerce gamble in about ten billions of futures every year, the actual receipts of that city being about two hundred million bushels a year. For every bushel of wheat actually sold on the exchange at Minneapolis fifty bushels of paper wheat are sold on speculation. See 63d Congress hearing before Committee on Rules of H. R. 424, pp. 31, 57, 158, and 159.

been exported, leaving a visible supply of 63,000,000 bushels, not including millers' stocks and seed requirements, as compared with only 46,820,000 at the same time in 1915, which was a year of bumper crops. Yet the price of wheat and flour was forced up to unheard-of figures.

The corn crop of 1916 amounted to 2,700,000,000 bushels, one of the greatest corn crops in our history, the maximum having been 3,124,746,000 bushels in 1912 and the average about 2,700,000,000 for the past twelve years. At the beginning of the year there remained in the hands of the farmer 1,138,000,000 bushels, the greatest carry-over, with a single exception, since 1907. Under these conditions there is little justification for the high prices of staple foods, in spite of the big export demand.

Through the Board of Trade the big operators maintain an autocratic control over basic prices. They drive down prices when the farmer sells during the summer months and inflate them as soon as the supply has been purchased. The speculative nature of grain prices was shown by the collapse of the market after November 22, 1916. The rumor was started that the President was arranging a truce in the European war to begin at Christmas and possibly become permanent. December wheat declined sixteen cents a bushel in spite of all the talk of a short crop and great European demand. This particular collapse was due to the powerful packing

interests, whose purposes it suited at that time to "bear" the market and bring down prices. This break in prices was only temporary, however, and the price soon climbed back to the previous high level.

For years the farmers of the Northwest have been protesting against this control of their industry by men who contribute nothing, who produce nothing, but who take in profits nearly as much as the farmers themselves receive for their labor, their capital, and the use of their land. They have appealed to Congress and the State legislatures for protection, but they have appealed in vain. Finally, in North Dakota they initiated several measures by petition and submitted them to referendum vote. The measures were carried by overwhelming majorities at the election, but the State officials refused to carry the laws into execution. The Non-Partisan League came into existence in 1916 as the last recourse of 70,000 farmers in one of the largest agricultural States in the West. It was a final protest at the polls against the grain gamblers, warehousemen, packers, banks, and terminal agencies which controlled the prices, the marketing, the milling, and the distribution of wheat, corn, and other food products. The league nominated its candidates for the legislature and for State offices and swept everything before it at the election of 1916. Its platform consisted of a programme for State-owned

grain warehouses, abattoirs, and grain terminals, for cheap farm loans and the untaxing of farm improvements. It was a programme of state socialism and modified single tax.

For years the farmers of North Dakota had struggled against the distributors who control the market. They are for the most part Americans and Scandinavians, owning large farms of from 100 to 1,000 acres in extent. At the end of the year they were often as badly off as they were at the beginning, and if a bad season intervened they often faced bankruptcy.¹ For years they had presented their claims before the State legislatures of the Dakotas and Minnesota. They appeared before Congress. But they were unable to secure any relief. Yet their investigations, made after careful scientific study, showed that nearly one-half of the value of their

¹ MR. CANTRILL: "Is it your contention that if you can secure the relief asked for under the Manahan resolution it will result in making the grain business for these farmers a profitable business instead of, as to-day, a losing business? That is the point I want to get at. Is this operation that you complain of forcing the farmers to sell their wheat at a loss?"

MR. DRAKE: "I would answer both those questions in the affirmative. I venture to assert that for the past three years (1911-1914) the average farmer has raised and marketed his wheat and grain of all kinds in the Northwest at a positive loss."

"There has not been a year in the past three years (in the Red River Valley of the North) that the average farmer has raised wheat and after paying for the cost of raising it, has not suffered an actual loss in the marketing of his product after it has been passed through the machinery for distribution provided by this private club, known as the Minneapolis Chamber of Commerce."

Hearing before the Committee on Rules, House of Representatives, 63d Congress, Second Session, on House Resolution 424, p. 139.

wheat crop was taken from them every year by the warehousemen, grain exchanges, and middlemen, who controlled the market. The loss from July 1, 1915, to January 1, 1916, amounted to \$302,832,000. For every \$4 received by the farmer, \$3 was taken from him by the middlemen, and especially by the gambling grain exchanges. This much was either taken from the farmers or added to the price which the consumer paid.

Speaking of speculation in flour and its cost to the consumer, Mr. Herbert Hoover says:

“The second—that is, elimination of speculation and evil practices—is fundamentally the most difficult and must fill all concerned with the most continuous and deepest anxiety. How important it is that we should arrive at some method of excluding the ‘legitimate’ and illegitimate speculation from trades may be perhaps emphasized if we consider what has happened during the past year in the matter of flour. If we assume that the farmer last year received an average of, at the highest, \$1.60 per bushel for his wheat, then, with the addition of the normal manufacturing cost, righteous profits of distribution, the wholesale price of flour should not throughout the country in the larger consuming centres have exceeded \$9 per barrel, and yet the price of flour at a great many centres during the past few weeks has been as high as \$15 per barrel throughout the country and probably averages over \$14. Some one is taking \$5 per barrel on 10,000,000 barrels per month, which is marketed in this country. If this situation continues, this is \$50,000,000 per month taken out of the American public, and since

the raise in the price of flour above \$9 per barrel, and before the new crop, we may assume rightly that over \$250,000,000 will have been extracted from the consumer in excess of normal profits of the trade and distribution. The manufacturers and normal traders have not had this difference; it lies in speculation and outside the genuine trades, and the higher trading margins forced by the speculative incidence of war.”¹

Speculation in wheat and the robbery of the farmer is accomplished in three ways. The worst offenders are the so-called grain exchanges, which operate in Minneapolis and Chicago and which fix the price of wheat. The exchanges masquerade as chambers of commerce or boards of trade. In reality they are speculative exchanges like the Stock Exchange in Wall Street. They deal in futures. Controlling the quotations of wheat all the year round by fictitious sales, they fix the price which the farmer receives. They depress prices during the months when the farmer sells, and then, after having bought in the supply on their own terms, they either put up the price or permit it to assume its normal price in the markets of the world. They bear the market when the farmer is selling and bull it after they have acquired the available stock. The practice is the same as that which prevails in the cattle markets at Chicago, Omaha, Kansas City, and elsewhere;

¹ Address before United States Senate committee on agriculture and forestry, June 19, 1917.

it is the same practice as that pursued by the egg and produce exchanges of Chicago and Elgin, Ill., and other cities. The price is made artificially low by stock-market quotations during the season of the summer, and then in the fall and winter it is artificially raised against the consumer.

Why, it may be asked, does not the farmer hold his wheat for the inevitable rise, if this is the practice? In the first place, the farmer has to store his wheat while waiting for the rise. And the warehouses are owned or controlled by the same interests that control the grain exchanges. And they work in sympathy with the great milling establishments. The millers will not buy of the farmers direct. "Unless you belong to the Board of Trade" (the grain exchange), the milling houses say to the farmers who have organized their own co-operative elevators, "we will not buy your wheat."

In addition, the cost of storage is so high and the railroad and terminal facilities are so inadequate and uncertain that the farmer is often forced to sell on the buyers' terms. He cannot hold on for six months, for he has to meet his loans to the bank. The farmer is usually a borrower. The banks which advance him money on his wheat, cattle, and corn are largely under the control of or are influenced by the same men who own the warehouses, the mills, and operate on the food exchanges. And a mere suggestion from the bank is enough to frighten the

farmer, for he fears that his loan may be called, his farm may be sold, or he will be denied credit the following season. The farmer of the West, whom we think of as the most independent of persons, is often the most helpless. He has but one market, and he often has to sell or be closed out when the auctioneer's mallet falls.

In a hearing before the Senate Committee on Agriculture for the consideration of the Lever food-control bill enacted in 1917 the following dialogue occurred between Senator Kenyon, of Iowa, and Commissioner John J. Dillon, of New York:

SENATOR KENYON: Would you abolish these exchanges—the Board of Trade in Chicago?

MR. DILLON: I would, every one of them.

SENATOR KENYON: We could reach them by taxation.

MR. DILLON: I do not know of a Board of Trade that is anything but a curse.

At the same hearing Senator Gronna, of North Dakota, made the statement:

“The mills are the big consumers of wheat; that is, they manufacture it. Minneapolis is the largest milling city in the world. The farmers are discouraged over the prices that they have been receiving in the years they have had large productions. *They have had to sell the products at less than cost.* So much so that they have gone to work and invested money and built one terminal elevator in the city of St. Paul, but after they had the elevator built and

stored the grain in it, they did not have any customers. The big mills refused to buy from them.”¹

A study of the daily cash quotations for contract grades of wheat on the Chicago Board of Trade, during the six months from July, 1915, to January, 1916, shows how these manipulations in price are affected. The crop of the preceding year, 1914, was sold out in the winter and spring. Then the prices on stock quotations began to drop. They fell 30 cents a bushel during the month of May. There was a drop of 68 cents per bushel from the last day of April to the lowest prices paid during August and September. Only market manipulation could have caused the slump, for the world demand, which fixes real prices, did not fall off during these months, and in December, 1915, prices rose again until they reached \$1.38 a bushel. The average price paid the farmers of the Northwest during the previous six months, when the price was depressed, was not above 85 cents on a crop of 468,000,000 bushels.

The *Chicago Daily Trade Bulletin*, the organ of the association of grain buyers, or the grain monopoly, makes what is in effect a confession of how the manipulation of prices is brought about—a manipulation always to the disadvantage of the

¹ Hearing, Committee on Agriculture, U. S. Senate, 65th Congress, Production and Conservation of Food Supplies, part 3, pp. 218, 241 (1917).

farmers. It also confesses why the summer price did not remain low all winter or until such time as the farmer might have parted with the bulk of his crop. The *Bulletin* says:

"During the first quarter of the year the stated prices advanced very rapidly, some 38 cents per bushel, and held to the advance during April and a part of May, but before the close of that month nearly 30 cents of this advance was lost. . . . The year's range—top prices for cash wheat in April and bottom prices in August and September—shows a range of 68 cents, \$1.66 being high and 98 cents low. . . . The high prices during the early part of the year were the result of very heavy exports of wheat from the United States to European countries. . . . *Speculation helped to force the prices upward. Aided by bearish operations, prices made the remarkable descent from the top to the low prices. When prices reached the lower level an active export business was carried on, but the purchases and the business were carried on in such a manner that prices did not respond so liberally as during the year. . . . Some reaction followed from the low prices, due partly to this export buying, but more particularly to the disappointing movement from the interior, farmers generally having held back their wheat for higher prices.*"

In other words, the speculators had gotten the 1914 crop away from the farmers at a low figure and then put up the price 38 cents for their own benefit. They had then sold out to Europe at high prices and, having cleaned out the 1914 crop, they

manipulated the market, bearing it down 68 cents in order to get the 1915 crop cheap. Having gathered in the first 4,000,000 bushels of the 1915 crop, they again started an active export business, but so manipulated the market that the farmer for a time got no benefit whatever out of it. Then came the rise in prices in the fall, because at last the farmer had seen into the game and held back his wheat—a most disappointing circumstance to the monopoly.

The lowest fair price to the farmer would have been the average between the spring level of \$1.66 and the January level of \$1.38, which is \$1.52. Taking this as a basis, we can calculate the amount taken by the grain speculators for each month during the period under consideration. In September 84,000,000 bushels were sold, the mean average market price being \$1.07, or 45 cents below the fair level. This would give \$37,800,000 as the amount unjustly taken by the monopoly during one particular month.

The second method of exploitation by the grain interests is the loss from the manipulation of export prices. This is calculated by the difference between the price at a given American port and the average Liverpool price of the following month (allowing one month for passage), less legitimate handling costs. Wheat contracted for in Duluth in July was delivered a month later in England at an advance of

57 cents. The advance on wheat contracted for in August, September, October, November, and December were, respectively, 63, 74, 71, 77, and 79 cents. The cost of handling between Duluth and Liverpool before the war, allowing for "legitimate" profits, was 7 cents. For legitimate costs of handling during the war, Congressman J. E. Kelley, of South Dakota, reckons 17 cents, including emergency and double freight-rate costs. On this basis the export loss during the six months totalled \$65,722,-226. Not all of this vast sum went to the owners of ships. Ocean freights were enormous, it is true, and varied greatly, but 30 cents a bushel to Bristol Channel from July to November and 35 cents for December would probably be a fair average. On this basis the freight manipulation would be about \$37,000,000 and the amount gathered in by the grain monopoly through export speculation, over and above their other profits, about \$28,000,000.

The third abuse is that effected by fraudulent practices between the farm and the terminal market. These, though smallest in actual losses, come closest home to the farmer. Under this class of exploitation comes the undergrading, short-weighing, overdocking, and price-gouging. The losses to the farmer from these causes amount to from 15 to 25 cents on every bushel sold by him, according to the estimate, in the form of a resolution, of a large convention of farmers in St. Paul. Even at the con-

servative estimate of 12 cents, the loss amounted to over \$55,000,000 on the 468,000,000 bushels sold between July, 1915, and January, 1916. It has been stated by Senator A. J. Gronna, of North Dakota, that as a result of unfair grading the farmers of the Western States received only 50 per cent. of the actual value of light-weight wheat. This is brought about by the system of grading wheat imposed on the farmers by the grain exchanges and millers, under which the farmers are compelled to sell. Yet the consumers paid for the same wheat at its undiscounted value. The difference went to the middlemen.

Senator McCumber stated on the floor of the United States Senate May 1, 1914, that the unfair and fraudulent grading of grain cost the farmers of the West and Northwest \$70,000,000 a year.

There is a submarine zone about the Western farmer which costs our people hundreds of millions annually. This submarine zone is in all respects like the zone which surrounds the cattle-raiser, the egg and poultry man, the truckman, and the dairyman of the Eastern cities. Only the toll is not taken by one submarine; it is taken by many, each one of which fixes for its own profit the terms on which the farmer shall be permitted to live. And these manipulators work in harmony. Their activities are so interlocked that the concern of one is the concern of all. And they create an inland embargo on food-

stuffs, which they only permit to pass to market after their terms are complied with. These agencies include the railroads, the warehouses, the terminals, the slaughter-houses, and the banks. They all work together through the Boards of Trade. They fix the price which the farmer receives and the price which the consumer pays. In 1915 we produced 1,100,000,000 bushels of wheat. At 40 cents on the bushel the consumers paid \$440,000,000 in speculative prices to the grain gamblers. In the same year we produced 3,000,000,000 bushels of corn, more than 1,500,000,000 bushels of oats, and more than 800,000,000 bushels of rye. This was the total for the entire country. And if the manipulation in wheat is indicative of the gambling tribute on other products, the loss to the farmers, or excess sum paid by the consumers, must have amounted to more than a billion dollars.

In hearings before the Committee on Rules of the House of Representatives during the 63d Congress, witnesses for the farmers and grain-growers of the Northwest laid before the committee how agriculture, and especially wheat-growing, was being destroyed by the practice at the Boards of Trade and Chambers of Commerce working in harmony with the warehouses, the millers, bankers, and other agencies. The testimony showed that the Minneapolis Chamber of Commerce is a private and secret organization like a club. It is managed by a small

group of men closely identified through interlocking directors with the banks, railroads, and public utility corporations. A large number of the seats in the Chamber are owned by the banks of Minneapolis, the railroads, public service corporations, and other privileged interests. Yet the producers of grain are not admitted at all. It is impossible for the farmers or even the co-operative grain-growers' associations to be admitted to membership in the Chamber even if they succeed in buying a seat. The Minnesota Farmers' Exchange was excluded after it had acquired a membership at a cost of \$4,200.

The Minneapolis Chamber of Commerce employs four hundred solicitors who travel throughout the Northwest discrediting the farmers' organization, and every effort on their part to organize or protect themselves. The banks are apparently the most powerful members of the organization and they, in turn, exercise power over country banks which make loans to the farmers and co-operative elevators. The majority of the directorate in thirty years has always been in the hands of the big millers and elevator men, who buy the grain and whose interest it is to keep down the price. Competition is destroyed by every possible means. It is a rule of the Chamber, rigidly enforced, that there shall be no competitive buying whatever between the members bidding for grain on the track for shipment to Minneapolis. In addition, the price which is offered the

farmer is always the closing price of the Chamber. That is the price paid the farmer no matter how much it may have been artificially fixed by speculation. The farmers, no matter what demand or supply may be, are at the mercy of the only market which they have, which is controlled by the grain-pit, which in turn is controlled by the milling companies and elevator companies which are the buyers. The largest commission houses through which the farmers sell are owned by the milling and elevator interests. The farmers' and other co-operative organizations are financed by the banks connected with the Chamber of Commerce, and they require the farmers, as a condition of the loan, to ship their grain to the houses which lend them money. The farmers are thus coerced into selling to the grain monopoly. Speaking of this condition, Mr. Benjamin Drake, representing the farmers, said: "It is a system of financial slavery. This system of loaning has been used all the time to compel shippers to give their consent to the arrangement that the commission house may sell to the subsidiaries." Mr. Drake further testified that it required sales in futures amounting to an aggregate of \$4,800,000,000 a year just to pay the expenses of the organization which controlled the clearances. This was the trading of but thirty-seven members of the Chamber of Commerce alone. The whole amount of future transactions by the members of the Chamber, he said,

might not be less than ten billions a year. "In other words, for a bushel of real wheat sold," said Mr. Drake, "more than fifty bushels of phantom wheat is sold on the floor of the Chamber of Commerce. And every bushel of future grain which is sold tends to make the price received for cash wheat."¹

No person in the country has given more scientific thought to the questions of wheat manipulation than Professor E. F. Ladd, president of the North Dakota Agricultural College. He has fought for the farmers of his State for years. He has appeared before the State legislature, before Congress, and in the courts. He has published many learned bulletins on the subject. Speaking of the food situation of the country in May, 1917, he says:

"There is no question in my mind but what the farmers would handle the situation were it not for those who are endeavoring to exploit them. The exploitation of food products is, to my mind, one of the greatest curses of our day, and the buying and selling of grain as carried on at the Chamber of Commerce, etc., is one of the most detestable forms of gambling practised by certain American people to the detriment of the great producing and consuming classes of our country.

"If the farmer received on the average of \$1.30 for his wheat for the past year's crop (and much of it was sold for less than that), then is there any good

¹ Testimony Hearing, Committee on Rules, House of Representatives, 63d Congress, Second Session, Grain Exchange House resolution No. 424.

reason why that wheat should sell in the same market to-day for \$3.00 and better per bushel, except through exploitation on the part of a few food gamblers?"

CHAPTER V

THE PACKERS AND THE CATTLEMEN

THE cattlemen of the West and Southwest assert that the meat supply is controlled by the packing monopoly, just as the wheat of the Northwest is controlled by speculators and middlemen. They, too, are in the power of speculators which fix the price paid the producer and the price paid by the consumer as well. The cattlemen produce for the world market, but they do not sell to their customers. They sell to the buyers of five or six packing-houses, who arbitrarily fix the price of meat on the hoof. The cattlemen have to accept what is offered or ship their cattle back to the range. They, too, have no real control over their business and no means of being assured from one year to the other that they will receive enough for their cattle to pay for the cost.

The cattle-raisers have finally organized for protection just as have the farmers. They have held conferences, employed counsel, and laid their condition before Congress. They insist that they do not fix the price of meat, but they frequently receive so little that it does not pay for the raising. Numerous investigations have been made, one of them pre-

sented as an exhibit before the Interstate Commerce Commission in a rate-case hearing during the winter of 1914-15. The year 1915, despite the European war and the high prices prevailing, is said by the cattlemen to be one of the most disastrous in their history, and the statement presented to the Interstate Commerce Commission, and sworn to by the farmers from whose accounts it was taken, seems to substantiate their claims. The investigation covered 56 Iowa farmers who had marketed 2,025 cattle between them, or an average of 36 head per farmer. Of the total 56 feeders all but 3 lost money, and the latter made a profit of only \$667.78 on the sale of 137 cattle. The other 53 lost on an average of \$19.32 per head on their operations. And the expense of labor and care was not included in the cost. It was stated that these cases were typical of the industry.

The exhibit was for the year 1915. Yet, while this was one of the most disastrous years in the history of stock-raising, it was a most profitable one for the packers, who made the largest profits in their history.

A committee of the American National Live Stock Association was created for the purpose of securing some sort of relief. The committee prepared a comprehensive report on the subject, which showed that it cost to raise and feed steers for market (in the Panhandle of Texas) \$8.10 per 100 pounds, while

the price paid for cattle by the packers during the primary market season had ranged from \$7.50 to \$8.05 per 100 pounds. They asserted that the prices paid are so manipulated that the prices are very low during the months when they have to sell their cattle, while during the months when the packers realize on their sales the prices are artificially high.

The cattle-raisers ship in their cattle from the ranges to the stock-yards of the various cities where the packing-houses are located. Each morning the price of cattle on the hoof is fixed by the buyers for the various establishments, who meet for the purpose. This the cattlemen can accept or reject. But the only other market is in a distant city and it, too, is under the same ownership. So the cattleman has to sell at the price which is offered or take his cattle back home. This in many cases he cannot do, for he has borrowed money from the bank to feed and market his stock.

The stock-raisers attribute their helplessness to the control of the cattle business by the four or five companies which dominate the business. For there are no public slaughter-houses and there is no competition among buyers. The packers fix the price paid the producer at one end of the transaction and the price charged the consumer at the other. They manipulate and control prices at will. The killing and packing of cattle is centred in Chicago, Kansas

City, Omaha, St. Louis, Fort Worth, and St. Joseph, Mo., which are the centres to which almost all of the live meat is shipped. But the packing monopoly extends far beyond the mere buying and selling of meat products. It includes the ownership of the stock-yards, refrigerator-cars, oil-mills, and many banks, all of which work in harmony and under the control of the packers. The packers also control the hide business, tanneries, and the produce of tanneries, as well as glue, button-making, cotton-seed-oil, soap, artificial butter, etc. The combination controls the price of the fertilizer which the farmer uses as well as the refrigerator-cars for the transportation not only of meat but of fruits, fresh vegetables, and other perishable products. In fact, the meat-packers, through their control of banks and railroad-cars and the virtual ownership of the means of marketing, possess a more or less complete monopoly of the foodstuffs of the entire nation. This monopoly is made complete by the ownership of local cold-storage plants in all of the large cities. Local butchers can only buy of the trust because local slaughter-houses have been driven out of business. The supply of meat is thus under the control of the four or five big packing establishments from the time the cattle are brought to the stock-yards until the meat reaches the consumer.

One of the reasons for the incredible power of the great packers is that they have at their command the

banking capital not only of Chicago but of other financial centres of the West. They are members of the directorate or are represented in practically every bank of importance in Chicago. When the packers are buying the banks are eager purchasers of cattle paper. The discount rate is $\frac{1}{2}$ per cent. to $1\frac{1}{2}$ per cent. above that on other gilt-edged commercial paper. Each morning the telegraph announces the prices Chicago is willing to pay for each quality of stock delivered on the track. The packers pay cash and the farmer is so weak financially that he cannot resist; for the banks which accommodate the cattlemen are controlled by the packers and see to it that the cattlemen sell when the packers desire. The cattle-raiser has borrowed money from his bank to raise his stock. The banks in turn are closely allied with the packers or are owned by them. And the banks carrying the cattleman's paper bring pressure on him to sell, oftentimes in the season of the year when the price has been artificially lowered by the packers. The procedure is the same as in the case of wheat. The packers fix a low price when the cattleman has to sell and then bring pressure upon him through the banks which they control to compel him to sell on the packers' terms.

Thus the packing establishments rather than the producers control the price of meat. And they seem to establish the price at the point which will just

keep the industry alive. Frequently they reduce it below the production cost. This discourages cattle-raising and creates a scarcity in subsequent years. Then the price is raised again and the producers take heart and increase their output.¹

The packers also control the cold-storage plants, the grain warehouses, and the refrigerator-cars, which are important links in the system. This enables the packers to destroy any independent competitor; for he is obliged to come to them for cars. And the refrigerator-car companies are in close alliance with the railroads through interlocking directorates. The cold-storage-car monopoly enables the packers to exact tribute from the small shipper and makes him dependent upon their will.

The cattlemen are coming to see that their only hope of relief is through political action. They, too, have come to realize that the abuses under which they suffer are inherent in the private ownership of the stock-yards and packing-houses. And they have recommended that public abattoirs be established, similar to those in other countries, to which they can bring their cattle and sell them, not to a single buyer but in the open market. Every nation in the world, with the exception of the United States

¹ This is one of the main reasons for the falling off in cattle-raising. We pay enough for meat at retail, and there is land enough all over the country that could be used for raising cattle, yet the meat produced in 1909 was only a little over that of 1899, while the per capita production for the country has fallen from 248 in 1899 to 219 in 1915.

and England, has public abattoirs. We have left this industry, like distribution, in private hands. And the cattlemen, like the wheat-growers of the Northwest, have come to believe that the only way out of the uncertainties and exploitation under which they suffer is through government-owned terminals and packing-houses.¹

Here again we find the middlemen destroying an industry. They first discourage the raising of cattle, sheep, and hogs in the East by the monopoly of slaughtering, and then, having subjected the industry to their control, they create such uncertainty and pay such low prices that they discourage the industry in the West as well. The meat supply, like wheat and other staple foods, is now not controlled by the producer; it is controlled by the middleman. And he has put an end to the operation of the law of demand and supply by destroying all competition.

¹ Later chapters containing a description of the public-owned abattoirs of Australia, Germany, and Denmark show the effect of public ownership in this field. It frees the producer from monopoly, on the one hand, and the consumer on the other. See especially the various measures provided by the several Australian states for selling meat products and bringing them to market.

CHAPTER VI

COLD STORAGE AND FOOD SPECULATION

THE cold-storage warehouse and the refrigerator-car are among the greatest devices of our age. Without these agencies our city population would be dependent upon the immediate local supply, while foods of distant lands would be unknown to most of us. They place the perishable food of every clime upon our tables all the year around. Even the poorest dines on foods that were unknown to the richest a century ago. The cold-storage warehouse also tends to equalize prices throughout the year. Eggs, butter, poultry, fish, and meat lose but little in freshness from months of storage, while seasonal products can be kept at a uniform price by reason of these facilities.

Yet, instead of being an agency of universal service and a means of cheapening the price of food, cold storage is one of the principal agencies of the speculator. The cold-storage plant is a warehouse. It offers easy facilities for a few men to buy up and store foods and thus control the market. The operators and owners are in close alliance with the food exchanges, which fix quotations, and with the packers, produce men, and jobbers in every large city. There are seventy-five of these cold-storage

warehouses in and about New York. They control the bulk of the city's perishable food supply, including fish and meat. There are forty-eight such plants in Chicago, the food centre of the country. Many of these cold-storage warehouses work in co-operation with or are owned by the refrigerator-car companies, which are owned in turn by the big packers of Chicago and the West. Here again is the combination of transportation, terminals, banks, and food exchanges, which fix the price to the producer at one season of the year and to the consumer all the year around.

The food exchanges speculate in prices of perishable food just as they do in wheat. The egg supply of the country, for instance, is controlled by the Elgin Board of Trade, the Butter and Egg board, and the Board of Trade of Chicago, which are price-fixing agencies. They establish prices day by day for eggs, butter, poultry, and other produce by sales between the members. They use the same methods described in previous chapters as to wheat and cattle. The price of eggs for April delivery is fixed by the speculators the previous November. Having fixed the price, the agents of the speculators travel about and make contracts all over the country for delivery by the farmer in Chicago the following spring. Having purchased and stored the eggs, they control the available supply. Day by day the speculators make the market quotation just as they

do the price of securities on the New York Stock Exchange. These prices are flashed all over the country and establish the prices even in the small town or summer resort.

An investigation of egg speculation in Chicago showed that one dealer and his associates held 43,-200,000 eggs in storage at the end of 1916. He made no secret of the fact that he was holding them for 50 cents a dozen, which meant that they would sell at 55 cents retail. He even threatened to sue the aldermen and club women of Chicago for conspiracy when they threatened to fight his monopoly. These same eggs were acquired at 19½ to 20 cents a dozen in November and delivered in Chicago and elsewhere the following April and May. During this period eggs had reached a very high price. The egg speculators claimed that it was due to scarcity. Yet their own figures showed that there were 3,686,533 cases in 1915 and 2,794,295 cases in 1916 in Chicago and other centres. Despite these hoardings the price of eggs advanced approximately 100 per cent. since they were bought for April delivery. One of the egg operators is said to have made a million dollars profits in a single year and retired from business. While speculation doubled the price of eggs, the cost of storage for ten months is only about 2 cents. Allowing 5 cents for the retailer, the price of eggs during the winter months ought not to exceed 30 cents a dozen at the outside.

In the spring of 1917 speculation went wild not only in eggs but in other produce. Prices advanced to exorbitant figures. An investigation made by the government showed that eggs had gone through fifteen or sixteen middlemen's hands in reaching a market, each one of whom took off a profit. Yet, while we were paying 50 to 75 cents per dozen for eggs, the people of England, after two and a half years of war, were buying the same eggs at from 32 to 35 cents a dozen. In England food speculation is prohibited.

The prices established in the Chicago Butter and Egg board do not represent buying and selling of actual eggs; they represent fictitious sales in "paper eggs" for the purpose of sending the market up or down, as the speculators desire. Yet these sales of eggs that do not exist fix the price of eggs to all buyers throughout the United States. As a result of an investigation in Chicago it was said that 4,000 car-loads of eggs that never existed were traded in by members of the Butter and Egg board. And each time the eggs were traded in the price was elevated from $\frac{1}{2}$ cent to 1 cent per dozen. By these means eggs which should have sold for approximately 22 cents, if the price had been fixed by legitimate supply and demand, were selling at from 34 to 35 cents a dozen in Chicago. The speculators took excess profits of \$6,000,000 on the Easter trade alone in the United States.

These manipulations of eggs, butter, and other foodstuffs would be impossible without the co-operation of the Chicago banks, which are an integral part of the system. The egg speculator is permitted by the banks to borrow money on his warehouse receipts on a valuation of only \$1.50 a case below the prevailing market quotations, which are almost always from 50 to 100 per cent. more than the price originally paid for the eggs. In other words, the speculator borrows on a valuation which he himself fixes rather than the price which he paid. This gives the dealer a big line of credit which he can use to buy more eggs, upon which he then borrows money at a fictitious valuation and uses the proceeds of his loan to buy other eggs. The co-operation of the banks makes it possible for the speculator to pyramid his holdings during the storing season and greatly to enlarge the scope of his operations and still further monopolize the market.

The attitude of the egg speculators toward the public has been arrogant in the extreme. Judge Landis, of Chicago, issued an injunction against market rigging and forbade any but *bona-fide* sales. The officers of the egg board met and worked out a plan by which they could continue their speculations but accompany each sale with bills, car numbers, and entries on their books, just as though an actual transaction had taken place. The attitude of the speculators toward the public is expressed in

the words of one of the speculators, who said: "Call it speculation if you will. It is, possibly, from the standpoint of the gentle public; but we call it successful merchandising in South Water Street."

The same practice prevails as to poultry, butter, sugar, and many other commodities. In fact, almost every article of food is under the control of middlemen and food speculators.

Mr. Herbert Hoover, commenting on the extent of speculation and its cost to the public, stated in a hearing, June 19, 1917, before the Senate Committee on Agriculture and Forestry:

"In our commercial distribution we are confronted daily and hourly with evidence of a large amount of rank speculation at every link of the distributing chain by persons not engaged in actual commerce of distribution. Thousands of men in this country who never owned a commodity in their life have bought canned goods, flour, wheat, and every food commodity to speculate for the rise, and these speculations have been prompted to a great degree by the increased field of forward contracts, which offer a basis for transfer of titles in commodities not much speculated in hitherto. Altogether we face the amazing situation of the country producing a surplus of foodstuffs and paying the highest prices known to its history.

"There can be no more vivid evidence of the desirability of food control in this situation than a comparison between our prices and the prices of foodstuffs in countries where there is some measure of food administration. I will not traverse the

prices of all commodities more than to say, as a general fact, the average prices to the consumer are lower in food-controlled countries than in the United States. Practically the entire wheat supply to Belgium is to-day imported from the United States, and, despite the extraordinary costs of transportation, the price of bread is 60 per cent. of the price in New York City. A large portion of the wheat in France comes from this country, and yet the price of bread is, again, 40 per cent. below our own. In England, where food control was started too late, the price is 30 per cent. below our price, and in Canada, again, we see a lower range of prices to the consumer than in our own country, although the producer realizes the same price."

Produce exchanges, similar to those described in Chicago, exist in New York and other large cities. The quotations which they make are directed by the distributors and are largely fictitious. Judge Jaycox, of New York, called their daily quotations of prices "untruthful, wilful, deliberate, intentional, systematic, and fraudulent," as a result of an inquiry into their methods. Honorable John J. Dillon, Commissioner of Foods and Markets of New York State, says of the food exchanges that they are "gambling dens."

According to the State food experts, New York City food speculators made profits of \$900,000 in the week preceding November 18, 1916, on the single item of eggs alone. The toll for the week of November 18 was estimated by the State officials at

\$1,000,000, with the prospect of a still higher extension the following week unless the power of price-fixing was taken out of the hands of the speculators.

Control of cold-storage plants is the key to the food situation, say food experts of New York. Because of private control speculators corner the supply of fresh foods and charge all they can get. At the time of the investigation practically all the available cold-storage plants in Greater New York and Jersey City were filled with eggs and other farm produce, purchased by the speculators during the months when prices were lowest. Eggs bought at 17 cents to 19 cents a dozen, says Mr. Dillon, were sold on November 17 at 60 cents to 70 cents a dozen, with even higher prices in prospect. The city consumes 100,000 cases of eggs so stored each week, which is the basis on which the profits of the speculators were calculated. Mr. Dillon says: "It costs only 2 cents a dozen for holding eggs for ten months. On that basis it is easy to see just how much is being made out of the manipulation of egg prices in the city. I estimate that the citizens of New York City would save from \$7,000,000 to \$10,000,000 annually by the establishment of such [municipal] cold-storage plants."

"The present cold-storage facilities," says Mr. Dillon, "are not sufficient for New York City. In consequence, a large part of the storage goods consumed in the city are held in Chicago, Buffalo,

and other outlying points. The facilities for handling supplies are grossly inadequate. The dealers manipulate what there are, and the individual grower is in a position where he must sell his fruit or let it waste on the farm."

Speaking on another occasion of the cold-storage facilities of New York, Commissioner Dillon said:

"Our cold-storage facilities are equally inadequate. Such as we have are controlled by the speculators in foods. Neither the producer nor the consumer has access to them, with the result that in times like these the speculator is in a position to exact any price that his greed may dictate for the food products that he controls through his monopoly of cold-storage facilities.

"At least \$7,000,000 a year can be saved in the wholesale handling of live poultry in New York City, \$10,000,000 on eggs, and a similar amount on dressed poultry. Ten million dollars can be saved on the distribution of butter, and besides these savings in the necessary cost of the physical handling of these products at the present time, an efficient system of marketing would save the people untold millions in the speculative prices that they are now paying. In the one item of milk alone, \$15,000,000 can be saved to the people in the distribution of it."

In its search for reasons for the high price of milk and the sky-rocketing advance in eggs, the Wicks legislative committee of New York State brought out two facts: one, that the New York Central Railroad paid \$25,000 a year to the estate of Westcott,

the express man, for the "supervising" of milk shipments to New York from the districts in the northern part of the State, and, two, that a car-load of Indiana eggs, sold by the Decatur Produce Company the preceding June (that is, June, 1916) to a New York wholesaler at $24\frac{1}{2}$ cents a dozen, was resold nine or ten times without leaving the cold-storage warehouse, until the St. Regis Hotel paid 43 cents a dozen for part of the lot on November 18, 1917.

While the price of sugar was mounting in 1916 great quantities of this commodity were held in storage warehouses. On October 4, 1916, there were 427,185,758 pounds so held in raw sugar in New York alone. The stock was held in the government warehouses under bond. Refined sugar jumped from \$6.75 to \$7 per hundred pounds, in spite of the fact that Great Britain was no longer so large a consumer as in the preceding year. The 1916 sugar crop in the United States was the largest in its history. The Porto Rico crop was also larger by 137,000 tons than ever before. This more than made up for the loss of the German and Austrian supply. In spite of the unprecedentedly large crops, the 1916 range of prices in the United States was from \$4.51 to \$6.52 for 96 per cent. centrifugal. In 1915, when England bought up great quantities, the range was only from \$3.64 to \$5.20. Speculation alone is the cause for the prevailing prices.

The cold-storage evil and with it food speculation can be corrected by the public ownership of the cold-storage plants, and it can probably be corrected in no other way. Any one familiar with the attempt to regulate the prices of public-utility corporations knows how futile the whole proceeding is. So satisfactory is regulation to the railroads and public-service corporations that they would probably fight as hard now to retain the public-service commissions as they fought to prevent their creation. They are the best possible guarantee of existing rates and charges. The difficulties in the way of rate regulation, even when the utility commissions are intelligent and free from control, are so insurmountable, and the contests in the courts are so costly and prolonged, that decisions favorable to the public have ceased to be expected. And the regulation of food agencies by price control, etc., or by criminal proceedings is so vastly more difficult than the regulation of public-utility corporations, where responsible officials can be found and the property is in sight, that it is utterly beyond the power of the government successfully to attempt it. Other countries more courageous or less controlled by these interests than we recognize the unpracticability of private distributing agencies and do not permit them in this field. In Germany, Denmark, and Australia, the countries where the food supply is successfully controlled in the public interest, the cold-storage

plants, food warehouses, and other distributing agencies are owned by the cities or the state, and in consequence monopolies, corners, or speculation are either difficult or impossible to maintain.

CHAPTER VII

THE MIDDLEMEN AND DISTRIBUTERS

THE gambling operations and the arbitrary control of prices by the food exchanges of Chicago are repeated again when food reaches other cities for distribution. The agencies and the methods employed are the same, only the city embargo is on a smaller scale.

No one knows how many middlemen there are between the producer and the consumer in a city like New York. Even the individual middleman only knows the groups immediately above, below, or around him. And each of these feels that he has a vested right in his business that should not be interfered with by the government. He resists every attempt to dislodge him by the opening of municipal markets or by the regulation of prices. Mr. Dillon states that there are seven or eight middlemen between the farm and consumers of New York City, each one of which adds from 5 to 10 per cent. to the cost of the food which he handles. Some of these are the same persons operating under different firm names. All but one or two of these middlemen could be dispensed with if the city or State would open a central market and provide a public rep-

representative to whom the farmer could ship and to whom the retail dealer could come and buy.

These middlemen have arbitrarily crowded themselves into the field and between them take from 50 to 65 cents out of every dollar paid for much of the food of the metropolis. The waste in New York City alone from the operations of these agencies is estimated at from \$150,000,000 to \$200,000,000 a year.¹

Commissioner Dillon says that the farmers would produce food enough if they were given an opportunity to sell on profitable terms. But they cannot

¹*Second Annual Report of the Department of Foods and Markets, February, 1916.*

An investigation made by Miss Laura A. Cauble as to the increase in the cost of vegetables, fresh fruits, and fish on July 11, 1917, while the protest against the high cost of living and the Lever bill were before Congress for consideration, disclosed the following facts as to the wholesale and retail prices in the city of New York:

	WHOLESALE (Dept. of Health data, July 11, 1917)	RETAIL	PERCENTAGE of INCREASE TO CONSUMER
VEGETABLES (Abundant supply in market)			
Potatoes.....	\$3.25 per bbl. (160 lbs.).....	10 cents qt.....	264%
Tomatoes....	50 cents-75 cents per crate (35 lbs.)....	15 cents lb.....	689%
Spinach.....	75 cents per bbl.....	25 cents qt.....	1200-1500%
Lettuce.....	100 heads at 50 cents.	10-15 cents head	1900-2900%
FISH			
Blue.....	13 cents lb.....	22-28 cents lb...	715%
Sea-bass....	7 " ".....	14-20 " " ..	186%
Cod, whole ..	7-10 cents lb.....	18-25 " " ..	259%
Porgy.....	3-4 " ".....	12-16 " " ..	433%
Flounder....	2-3 " ".....	12-16 " " ..	700%

get their produce to market. The city is blockaded against them. Often their produce is taken by the commission men and sold and the farmers advised that there was no market for it or that it had to be destroyed by order of the health department. At other times produce fails to realize enough to pay freight rates. Frequently, food from a distance is permitted to spoil or is thrown into the river, to keep up prices. At other times it is held up by railroad-car shortage and lack of terminal facilities. The farmer cannot now market directly as he formerly could, and he cannot afford a personal representative in the city. As a result, he is left to the tender mercies of a group of distributors acting in co-operation with the railroads, cold-storage plants, and packers, all of whom enjoy special, preferential privileges which the independent shipper cannot secure.

The food manipulators of New York are given a practical monopoly of the terminal facilities of the railroads, which are essential to the disposal of food to the retailers. Even the State Department of Foods and Markets of that State, which aims to help the farmer find a market, is discriminated against. The various groups of middlemen have powerful financial and political organizations and maintain themselves against the unorganized farmers, on the one hand, and the equally unorganized consumers on the other. If the dealers fulfilled

merely the economic function of distribution and received a reasonable return for the service there would be little objection; but they multiply themselves needlessly and exact speculative profits. To such an extent have they discouraged the farmers of New York that of the total food bill of the city, amounting to \$800,000,000 a year, only 5 per cent., or \$40,000,000, goes to the farmers of the State.

The distributing middlemen are also so powerful politically that the Department of Foods and Markets of New York State has never been able to secure an adequate appropriation from the State to make a real experiment in co-operative buying and selling. In 1915 the department began marketing various kinds of food products in New York City. It undertook the disposition of peaches of which there was a particularly large crop that year. An agreement was made with the Fruit Auction Company, and substantial advances were secured to the farmer and reductions to the consumer as well.

Deputy Hildebrand, in charge of the auction-rooms established at Franklin Street by Commissioner Dillon, says that the department is being fought by railroads, by organized business interests of certain kinds in this city, and by many other people. In an interview he states:

"The question of apples is always a serious one in the fall. The average price paid the farmer is

from \$3 to \$5 per barrel for good apples. The consumer pays from \$12 to \$15 per barrel for the same apples. Meanwhile the farmer up-State cannot ship any more. There is no market, it is claimed, or the railroads cannot give cars, using all available for the long hauls from the Far West, for instance."

The same situation obtains in all other fruits and vegetables.

This is the way the railroads join with the distributing agencies and speculators to discourage local production. The distributors, in order to destroy local competition, prefer long-distance shipments. The railroads encourage this by giving preference to cars from Chicago, Kansas City, and other distant points, which are sent through with the regularity of passenger-trains and often much quicker than from the near-by New York points.

This is indicative of the many different kinds of conspiracies which have driven the Eastern farmers and truckmen out of existence and concentrated the control of the food supply in the hands of the middlemen. And the alliances and secret arrangements with railroads, terminals, cold-storage plants, and other private agencies are so subtle and numerous that they cannot be traced or the speculators brought to trial.

In the matter of the milk supply the big dealers or distributors control the prices at both ends—they fix the price the farmer receives and the price

the consumer must pay. The sale of milk in New York and other large cities is in the hands of a virtual trust. The consumer must pay their price or do without milk. Nor do the distributors guarantee quality to the consumer although they exact it from the producer. The volume of milk produced does not affect the price, as the dealers insist that it does, for summer or winter the consumer pays the same rates. The dealer owns the utilities of distribution—the cans, pasteurizers, and facilities of the shipping and finishing stations. If one dealer reduces the price paid to the farmer the others follow. This is harmful to the consumer also as it drives many farmers out of business and reduces the supply. On the other hand, if one dealer raises the price to the consumer all do the same. If a retail dealer refuses to comply with the demand of the trust his supply is cut off or delivered sour. The dealer reserves to himself all the advantages of favorable market conditions in New York.

The report of ex-Assistant District Attorney O'Malley in 1910 of milk distribution in New York showed a strong organization in restraint of trade among the dealers. If a dealer ventured to sell below the trust prices the "dead" wagon was sent over his route, selling milk to his customers at ruinously low prices, till he was driven out of business. If all else failed his horse was mysteriously poisoned. Indictments were found against several of the deal-

ers in 1910, but they have never stood trial. The little dealers must obey the big ones or they are forced out of business. The dealers break up co-operative creameries wherever possible by offering to buy the milk in the neighborhood of the creamery and to pay the cartage on it. This was the general state of affairs that led to 2-cent milk to the producer and 12-cent milk to the consumer in the State of New York.

To counteract these influences the State department of foods recommends a milk depot in New York, with a creamery attached, to take care of all surplus milk. Prices would be fixed daily according to supply and demand. The producers demand it and have asked the State to build it. They are willing to pay the maintenance and amortization charges. The plan was opposed by the dealers, however, and failed in the legislature.

In the case of anthracite coal there is the same sort of a monopoly controlling the output and in alliance with the railroads as we have in the case of milk, only the coal syndicate is composed of the producers themselves rather than the dealers. Nine large operating companies control 75 per cent. of the anthracite coal of Pennsylvania, the only source of supply. Each is closely allied with or owned by the railroad on whose line it is located. Consequently markets that are advantageous for the railroads, markets which give them a long haul, are

much more likely to have their coal delivered more promptly and cheaply than other places.

It is claimed by the commission on the cost of living of the commonwealth of Massachusetts that New England markets were discriminated against by some of the companies during the year 1916. Anthracite coal, which cost \$7.75 in Boston in December, 1914, cost \$9.50 at the end of 1916. In other cities and towns of Massachusetts it is considerably higher, reaching \$12 and sometimes more. Some of the companies curtailed their shipments to New England and the orders of many retailers were only partially filled. The result was a serious shortage in many cities.¹

The retailer is at the mercy of the operating companies and the railroads in that he can make no contract stipulating delivery on a certain date and at a certain price. He must take his coal when the railroads can conveniently ship it and at the price current on the day of shipment. The commission reported that the only solution of the difficulty lay in freeing the production and marketing of coal from the control and influence of the railroads; that, since the coal production is in the hands of so small a group, the sale and distribution of the coal should be regulated by the Federal Government. It recommended that a federal agent be given control over the distribution of loaded cars and the

¹ *Report of the Commission on the Cost of Living, Commonwealth of Massachusetts. Report on Anthracite Coal, December, 1916.*

returning of empty cars; that the railroads be forced to give to coal the right of way over other merchandise that is not a necessity of life; and that maximum prices should be fixed for anthracite coal sold at the mines.

Not all of the rise in the price of anthracite coal in the cities of New England has been illegitimate. There was an actual railroad-car shortage, due to increased traffic in other commodities, to which traffic coal-cars were often diverted. The great jump in water freight rates still further increased the demand upon rail transportation. And there were other reasons for the rise in prices, one being the greatly increased export of this product. Nevertheless, discrimination against certain markets not favored by the railroad companies was not due to any legitimate cause but solely to the desire of the railroads to sell where the hauls were most profitable.

The price of flour rose from \$5.80 to \$11.25 and \$12 a barrel between 1897 and 1917. Two-thirds of this rise took place between 1915 and 1917. The cost of bread rose in proportion. The actual price of the loaf did not rise quite so rapidly, but this was compensated for by a diminution in the size of the loaf. The city in its bread consumption is, therefore, the helpless victim of the grain and flour manipulators, who increase the price of the ingredients of bread.¹

¹ *Report on Bread, Commission on the Cost of Living, Commonwealth of Massachusetts, January, 1917.*

The city of Boston suffers not only from the usual embargo on products from outside the city but is hampered still further by a particularly inadequate system of internal transportation of merchandise. This adds to the difficulties of the farmers of Massachusetts in securing a large and accessible market in Boston and appreciably increases the cost of living. One of the chief needs of the city in meeting the situation, says the report on transportation, is a wholesale terminal market.

This is merely suggestive of the blockade through which the food and fuel supply of our cities must pass from the producer to the consumer. It affects every article of daily consumption—meat, eggs, poultry, fish, butter, fruit, vegetables, coal, and lumber. Prices are artificially made. They bear no relation to cost of production, the price paid the farmer, or the service rendered by the middlemen. An association fixes the prices at what the traffic will bear. An investigation of the prices demanded for turkeys during the Thanksgiving season of 1916 showed that the middlemen added 100 per cent. to the cost of the patriotic bird to the consumers of New York. Their profits were estimated to be in excess of \$1,500,000.

One of the worst results is the destruction of agriculture about the great cities, for it is to the interest of the railroads to bring supplies from as long a distance as possible. Food from the Far West gives

them from ten to twenty times the haul from the near-by points. And as the railroads either control or work with the distributing agencies, the latter can only acquiesce in the proceedings. The farmer is helpless, as is the consumer. The fact that, as already stated, of New York's \$800,000,000 food bill only \$40,000,000, or 5 per cent., comes from the farmers of New York State is one reason why only 40 per cent. of the land of the State is under cultivation and only 375,000 people out of 10,000,000 are agriculturists. The railroads have destroyed farming in New York in order that they may enjoy the earnings that come from a thousand-mile haul from the Far West.

The food speculators and gamblers form an almost endless hierarchy of operators, each one of whom is interested in inflating the prices as high as possible in order to secure the largest possible profit before he passes the produce on to another. A useful service is performed by a small portion of them, but service is secondary to speculation. In other words, a legitimate function has been converted into a gambling transaction, and in the process a large number of perfectly useless intermediaries have wedged themselves in between the producer and consumer. It is difficult to tell the cost in actual dollars to the consumer, or the increase in price. Farm produce is marketed whose cost to the consumer is four or five times what the producer

receives. Instances of the destruction of great quantities of food to keep up the combine have been reported, while the withholding of food to produce famine prices is so common as no longer to excite comment.

These manipulators in the food centres of the country fall into several groups, of which the chief are: (1) the railroads; (2) the refrigerator-cars; (3) the banks working in sympathy or co-operation with the other agencies; (4) the food exchanges which fix prices in the various cities and control the auction and selling agencies; (5) the grain elevators and warehouses; (6) cold-storage plants and warehouses; (7) the packing-houses of the Western cities; and (8) the middlemen, jobbers, and wholesalers who stand between the terminal agencies and the retail stores.

These are the profit-taking agencies between the producer and the consumer. They not only take toll for the service they perform, but, what is far more costly, each is interested in creating a continuing condition of artificial scarcity so as to collect an additional tribute through speculation.

CHAPTER VIII

THE TRANSPORTATION EMBARGO

ENGLAND and France discovered, when the war broke out, that they could not trust their transportation systems in private hands when the life of the nation was in the balance, and both countries immediately took over the operation of the railroads. There was no hesitation, no delay, no two minds about it. After generations of fervid insistence that the railroads must be left in private hands, even those who had been loudest in protest declared that they must be run by the state.

We can no more have a properly functioning social organism, with its transportation agencies in private, profit-making hands, quarrelling all the time with the public, with Congress, with the courts, the Interstate Commerce Commission, forty odd State railroad commissions, with cities, chambers of commerce, farmers, shippers, and consumers all over the country, than we can have a properly functioning human being with his circulatory system in outside hands. And we cannot assure adequate protection to the farmer or the consumer, we cannot secure fair prices until the whole business of transportation, warehousing, and storage becomes a

government function as it is in almost every other civilized state.¹

And this should be done immediately if we are to protect the farmers who are responding to the call of the President to plant, to bring forth wealth from the ground. For they may see their labor and expenditure go for naught, and the consumer a few miles away go hungry for food because of the breakdown of the transportation agencies which have failed in their undertakings. The submarine blockades the British people, but the railroads of the United States are blockading the people of the United States.

For over twelve months—in fact, for a half dozen years—industry, agriculture, and the life of the country has suffered far more seriously than any one knows from the shortage of cars and the congestion of roads and terminals. For a year there has been a famine in fuel in many sections of the country. Individual industries have been compelled to suspend operations because of car shortage or congestion at terminals. Many factories have been forced to run at from one-third to one-half of their capacity because of lack of fuel. Coal-mines have been closed. The bituminous coal-miners of the Middle West have been reduced to two or three days' work

¹ As indicative of how the railroads, when publicly owned, cooperate to encourage agriculture and build it up, see chapters on Australia and Denmark.

a week. The same has been true in the anthracite region. This was one of the reasons for the demand for large increases in wages by the miners. Automobiles have been driven from the factories to market by the tens of thousands on their own power.

The farmer suffers from the car famine along with the manufacturer. So do food dealers. They were unable to market their produce. The cost of food has been greatly increased as has the price of other commodities. Hundreds of millions of dollars is a conservative estimate of the loss which the country has suffered by reason of the failure of our transportation facilities and the inability of the railroads to utilize what facilities they have. In addition—and this is one of the unseen costs of private ownership of the railways—the productive capacity of the country is in a state of semiparalysis which costs the nation far more than the immediate loss on existing shipments or the high freight charges.

And this has been a continuing condition for many years. Some years ago the farmers of the Northwest saw the result of their year's labor rotting on the fields because of the shortage of cars. This is one explanation of the high cost of living, of the prohibitive price of food and of fuel. Food and fuel cannot reach the market, or when they do reach the market the terminals and other agencies are inadequate to receive them.

The most recent announcement of the railroads

was to the effect that conditions in April, 1917, when there was a shortage of 140,000 cars, were the worst in history, but that even graver congestion was in prospect.

This admission was made when the effective conduct of the war, the support of England and France, the supplying of munitions, the equipment of our own army and navy, and the feeding of our people were involved. We have directed millions of farmers to plant and harvest food, to give their labor to the nation, and when the harvesting has been done, the whole nation—yes, the whole allied world—may see the successful conduct of the war, which has cost millions of men and untold billions of wealth, imperilled and possibly brought to naught by the breakdown of transportation facilities, not on the sea but on the land.

This embargo on food is a continuing condition. It recurs each year. It affects the wheat, corn, and cereal crop of the West as it does the cattle-raisers. The railroads admit this. Every industrial centre in the country knows it. The Interstate Commerce Commission has stated the peril in the strongest possible words. In its report of January 13, 1917, on the "Car Supply Investigation," the commission said:

"The present conditions of car distribution throughout the United States have no parallel in our history. In some territories the railroads have

furnished but a small part of the cars necessary for the transportation of staple articles of commerce, such as coal, grain, lumber, fruits, and vegetables. In consequence, mills have shut down, prices have advanced, perishable articles of great value have been destroyed, and hundreds of car-loads of food products have been delayed in reaching their natural markets. In other territories there have been so many cars on the lines of the carriers and in their terminals that transportation service has been thrown into unprecedented confusion, long delays in transit have been the rule rather than the exception, and the operation of established industrial activities has been made uncertain and difficult. These conditions have made necessary a far-reaching investigation by the commission and now urgently demand prompt, decisive action."

The circulatory system of the nation *must* function freely and adequately. Failure to do so not only increases the cost; what is far more important, it destroys production. It discourages the farmer and the manufacturer. Probably no single agency, except the private monopoly of land and mineral resources, is as responsible for monopoly, for curtailed production and the high cost of living, as the private ownership of the railways, with the car shortages, discrimination, and high cost of service. This is true of coal, of oil, of raw materials, of food and the necessities of life.

In spite of the orders of the Interstate Commerce Commission and the agreement of the railroads to

correct the evils, the car shortage, and with it discriminations, have not been relieved. Probably the evil is beyond relief by the railroads. It is inherent in private ownership.

There are hundreds of railroads in the country each one of which is run as a separate business. They ought to be run as a single agency. Their efficiency would possibly be doubled if the colossal waste now involved in the struggle for individual business and the best business were ended. To-day one railroad has its eastern terminals filled with cars waiting for return freights, while a terminal a few blocks away is clamorous for empty cars. The same is true of locomotives. Needless trains are run just to maintain competition. Empty trains pass one another on different railroads for the same reason. Terminals all over the country are inadequate to handle the freight when it reaches them. They are glutted with cars, some held for weeks and months by lack of terminal facilities. This is one explanation of the shortage of cars. Nor can the railroads meet this situation. The cost of bringing the railroads up to our needs is colossal. While railroad securities have been watered until the roads are capitalized at \$75,000 a mile, billions and billions are needed just to meet present needs, not to speak of future development, which is only less urgent. And only the government can provide this capital.

In addition, thousands of different railroad officials, each one of whom is interested in *carrying the freight that brings the highest return and that insures the longest haul over his particular road* are determining for us what commodities shall be carried and what not. There is little thought of the needs of the whole nation or concern for the industrial and agricultural life of the whole people. *Railroading is run for the railroads. It must be run for national service—possibly for national existence.*

This is not a fanciful condition. In hearings recently held by the Federal Trade Commission, witnesses stated that the railroads diverted coal-cars from the transportation of fuel to the transportation of commodities upon which higher rates were obtainable. Coal-cars were diverted to the carrying of automobiles, and as a result the price of bituminous coal increased \$2 a ton at the mine in one year's time. It doubled and trebled the price in many cities. One witness stated that the railroads made use of the alleged car shortage to coerce the mine-owners to sell coal to the railroads on the road's terms. He stated that the railroads refused to carry coal for ordinary commercial purposes in order to crowd down the price charged for their own use by creating a glut at the mines. A coal operator on the Chesapeake and Ohio road said that one-half of the 40,000 coal-cars owned by that railroad were being used for the transportation of other commodi-

ties at higher rates. Another operator said that the mines could supply 40 per cent. more coal if they had means of shipping it, and that one-third of the bituminous coal mined in his district went to the railroads at a price arbitrarily fixed by them.

And what is true of coal is true of other industries; it is true of food, of agricultural produce, and of other commodities which do not yield the highest rate to the roads. And this is true in spite of the efforts of the Interstate Commerce Commission to correct it, after the most direct and explicit orders to the railroads.

The life of the nation rests in the hands of the railroads. Formerly they gave preferential rates to communities and industries. Now they favor commodities that pay the highest rates and starve commodities that pay low rates. The whole producing power of the nation may be strangled by reason of a discrimination against fuel, while the workers may hunger for food and the farmers lose the product of a year's effort because there is more money to be made by the railroads in transporting luxuries than by transporting food supplies or fuel. The farmers are patriotically responding to the call to feed America and her allies. Yet their efforts may go for naught and their service be in vain because the transportation agencies cannot or will not socialize their efforts and serve the nation's needs.

This is another reason for immediate public ownership. The railroads cannot be trusted at any time, certainly they ought not be trusted at this time, to determine for the nation and the allied cause what freight shall be hauled and what not. The railroads might be trusted in this matter were it not for the fact that it is to their interest in many cases to decide wrongly. That is what is happening to-day, for it is this wrong decision that has caused the famine in fuel all over the country.

For the railroads must make money. That is the first obligation on the directors and the president. Their patriotism may carry them a long way, but they dare not cripple their property or permit its earnings to fall. And much of the freight that is most important to the nation is the freight that yields the smallest revenue. Every temptation exists to make the wrong decision. Food and fuel are carried at lower rates than are non-essentials. It is, therefore, to the interest of the operators to neglect low-class freight and favor the high-class freight that yields the big returns and also to accept, for the same reason, that freight which gives them the longest haul.

It is imperative that the government should decide what freight is most urgent. This cannot with safety be left to be determined by private profit, even though the railroads are acting under a pooling arrangement and are endeavoring to serve the nation.

CHAPTER IX

WHY THERE IS NOT MORE FOOD

As a result of the conditions described, agriculture is suffering. The farmer is being driven to the wall. He has to overcome so many obstacles, his business is so controlled by others, and he is subject to so many failures that he grows discouraged. There is no industry in the country that is as helpless as that of agriculture and no industry so much in need of protection. It is not the exhaustion of the soil, the competition of the better land of the West, the lack of scientific agriculture, or the greater and more secure gains from industry that is driving the farmer from the land; it is the failure of the distributing agencies, the exactions of the middlemen, railroads, and bankers that are making agriculture unattractive. Under the provisions of the Lever bill recently enacted by Congress, millions of dollars have been appropriated for stimulating meat production through the prevention of cattle diseases and the conservation of meat and dairy products. Millions more have been appropriated for the distribution of seeds, for the elimination of waste, and for education. Yet a little study would have satisfied Congress that the farmer does not

want outdoor relief. What he wants is a policeman. The farmers know what is the matter with agriculture. They say that the conditions under which food is marketed in this country are so bad that there is little incentive for production.

The farmer does not want free seeds; he wants a chance to market his produce. Otherwise he says there is no use in producing. He works hard enough, but the State by inaction permits his produce to rot in the ground or to be sold at a low figure or loss when it reaches the market. This is happening all over the country. The farmer knows it. Scores of official investigations have made it plain, and farmers' organizations have appealed for years for protection—protection from what is in effect pure robbery. And the robbery has been so systematic and so long-continued that in many sections of the country the farmer is giving up in despair.

A generation ago even the smallest farmer raised diversified crops. He raised wheat, corn, vegetables, and fruit, as well as cattle, hogs, sheep, and poultry. From all these activities he was able to make a comfortable living. If one crop failed there were others to fall back upon. And the farmer was reasonably contented with his lot, as he is in those countries where he is protected in his calling. The prices of food were low. There was little or no complaint about the cost of living.

Marketing was simple. The farmer sold to the

near-by store. In most towns there was an open public market to which the farmer came once or twice a week, as is still the case in many Southern cities. He brought his cows, hogs, and sheep to the local slaughter-house, where he sold to the local butcher. The farmer, like every other business man, dealt directly with the buyer, who was competing with other buyers. Demand and supply established prices just as they do where competition is free. And the prices so established approximated the reasonable costs of production plus a competitive profit.

As cities grew in population and the market was widened, the business of distribution became an important industry. It was specialized. The distributors found it to their profit to work in harmony so that they could fix the prices paid for foodstuffs. Then they developed distant sources of supply, partly because of the increased demand, partly as a means of controlling local prices. With the development of the cattle-ranges of the West the raising of beef and hogs became a great industry. Packing centres were developed in Chicago, Omaha, Kansas City, Fort Worth, and elsewhere to which the drovers shipped their cattle. For a time the packing-houses competed with one another, but they were soon drawn together by an identity of interest in keeping down the price of beef on the hoof, on the one hand, and increasing the price of meat on

the other. Ultimately the packing-houses became in effect a combine of four or five great firms. The shipments of meat to Europe and the Eastern cities required refrigerator-cars, and the railroads permitted the packers to take over this business, the railroads hauling the cars as they do coal-cars and cars owned by the fast-freight lines and express companies. Soon the refrigerator-car lines, owned by the packers, acquired control of the transportation of meat. Then they entered other fields. The cars are used for the transportation of fruit, vegetables, and perishable produce from California and Florida. The packing-houses became interested in other kinds of food, and to-day they are in substantial control of the distribution of the perishable food supply of the country through their control of the transportation and the cold-storage terminal warehouses which they own all over the country.

The railroads are not only directly connected with the packing-houses through interlocking directorates and common ownership; it is to their advantage to encourage long-haul business. It is to their interest to bring food from as great a distance as possible. And they co-operate with the packers to discriminate against the supply of cattle by local farmers. They make it difficult for Eastern farmers to secure transportation. They shut them out of the local market. This discouraged local cattle-raising. Far more effective was the control of the

local meat-dealers and the local slaughter-houses by the packers. This control was brought about in a variety of ways. The packers erected cold-storage plants in the cities. Local butchers had to come to them for meat and especially for canned meat and by-products. And the packers refused to sell to them unless they accepted their terms. If the local butchers insisted on buying local meat, the packing-houses opened independent butcher shops and sold meat at so low a figure that the independent butchers were driven out of business. Or they bought out the local slaughter-houses and closed them down so that the farmer had no place to kill his cattle. A quarter of a century ago almost every town contained a slaughter-house. To-day they do not exist or do a very small business. In every other country of the world, with the exception of the United States, cattle are killed at local abattoirs. And everywhere, with the possible exception of the United States and Great Britain, cattle must be slaughtered in public abattoirs. Private plants are not permitted. As a result, in Germany there are one thousand public abattoirs, every city of any size having a meat-killing establishment, which is one of the show-places of the city.

The railroads derived no revenue from cattle driven to market on the hoof and little revenue on cattle from the neighboring country. They desired

long-haul traffic. And this was to be obtained by co-operation with the great packing-houses. But, even aside from this co-operation, the refrigerator-car companies, the packing-houses, and the railroads are so interlocked in their ownership, as shown by the report of the Pujo investigating committee of Congress, that the railroads would have united with the packers irrespective of their interest in freight revenues.¹

It is by this conspiracy of the transportation, packing-house, and cold-storage industries that the raising of cattle all over the country has been discouraged or killed entirely. It is only partly true, if at all, that the production of cattle, hogs, and sheep has been killed by the cattle-ranges of the West. It has really been killed by the inability of the local farmer to find a market. And to-day, in spite of the attempts of the Interstate Commerce Commission to regulate railroads and refrigerator-cars, it is very difficult for the farmers of New York to secure transportation to the city, although the farmers of California and Texas ship train-loads of food which are delivered with the regularity of passenger-trains and frequently in less time than

¹ The methods employed by the railroads to discourage or stifle industry are indicated by the investigations of the Federal Trade Commission and the Interstate Commerce Commission in relation to the recent car shortage and the manipulation of the coal market. Wherever it is to the private interest of the railroads to discourage an industry they do so. This evil is inevitable under private ownership of the transportation agencies.

it takes to secure a delivery from a shipping-point fifty miles away.

Gradually, cattle, sheep, and hogs ceased to be raised by the ordinary farmer. They, too, secured their meat from the Western packers. Ultimately the local slaughter-houses were bought out by the packers or were put out of business by competition, and the local meat-dealers became in effect mere agents of the great packing-houses which controlled the meat supply.

This is one explanation of the reduction of live cattle and with it dairying. An examination of the statistics of cattle in the country shows the extent to which the raising of cattle of all kinds has diminished.

The statistics of domestic animals on farms, according to the census of 1900 and 1910, are as follows:

YEAR	DAIRY COWS	ALL CATTLE	SWINE	SHEEP	GOATS
1900	18,108,666	69,335,832	64,686,155	61,735,014	1,948,952
1910	21,795,770	63,682,648	59,473,636	52,838,748	3,029,795

The number of dairy cows increased by only 3,687,104 in ten years, while the number of swine and sheep decreased by about fourteen million head. The total loss in all cattle was five and three-quarter million head at a time when the population of the

country and the consuming power of all classes was increasing rapidly.

Similar methods are employed by the distributors to kill off local truck-gardening. Local produce interferes with the control of the market. The railroads again find it to their advantage to bring in food from a distance, while the middlemen find it much easier to control prices if they are free from competition by the neighboring farmers. And all sorts of discriminations are made against local production. The farmers find it difficult and expensive to get their food into the city. There are no terminals that are free from control. Ofttimes their consignments are rejected. Often they are left to rot at the terminals. It is to the interest of the middlemen to keep down the supply and prevent anything like an excess supply in the market. In time the city becomes dependent on vegetables brought from a distance just as it becomes dependent on meat brought from the packing centres. And after the middlemen and distributors have crushed local competition they treat the distant shippers as ruthlessly as they do the near-by farmer. They refuse his shipments. They leave consignments to spoil or offer the shipper a price that is so low that it scarcely pays for transportation. In the spring of 1917, when Congress was debating the food bills and the press of the country was ringing with condemnation of the food speculators, 800,000

pounds of spring vegetables were permitted to rot on the wharfs along the Hudson River. Yet the poor of New York were on the verge of food riots, with car-loads of perishable food but a few blocks away. Commissioner John J. Dillon, commenting on this situation, said: "Not only were the people of New York City the victims of such a market system, but farmers of the South who sent the vegetables here lost many thousands of dollars in freight charges and lost labor and money spent to produce the vegetables. The farmers who sent the vegetables are receiving curt wires from the commission men, saying in effect: 'Market oversupplied; no demand; your shipment rotted at wharfs for want of buyers; health authorities condemned entire shipment.'"

In recent years Eastern apples could not be marketed, but car-loads of Oregon apples found a prompt and regular market in the East. Apples which the farmers of New York are ready and eager to sell for \$2.50 a barrel rotted on the ground fifty or a hundred miles from the city, while car-loads of Western apples are sold at prices prohibitive to the poor. Peaches, pears, and other fruits find the city markets closed against them, while Florida, Maryland, and distant producers secure cars and buyers in abundance. A few years ago nearly every city was supplied, in part at least, from its immediate neighborhood. To-day the bulk of the perishable vegetables come from a distance. Even eggs and poultry can

be marketed more readily from Chicago than from a point within a few miles of the New York City Hall.

The following are some selected farm crops taken from the census returns of 1899 and 1909, respectively, showing the extent to which food production has fallen off.¹

CROP	1899	1909	INCREASE OR DECREASE
Corn (bushels)...	2,666,324,370	2,552,189,630	- 114,134,740
Wheat (bushels)...	658,534,252	683,379,259	24,845,007
Rye (bushels) ...	25,568,625	29,520,457	3,951,832
Barley (bushels)...	119,634,877	173,344,212	53,709,335
Cotton (bales)...	9,534,707	10,649,268	1,114,561
Total small fruits (quarts)	463,218,612	426,565,863	- 36,652,749
Strawberries (quarts)	257,427,000	255,702,000	- 1,725,000
Apples (bushels).	175,397,600	146,122,318	- 29,275,282
Total orchard fruits (bushels)	212,365,600	214,683,695	2,318,095

The amount of food produced per capita of our population has fallen off from year to year or at best remained stationary even in the face of the export demand due to the war, as indicated by the figures on page 96.

There has been, it is true, a noticeable increase in farm production along some lines. Among these are California fruits, cereals used in the manufacture of whiskey and beer, sugar-beets, figs, rice, and olives. The noteworthy increases are in articles in which the producers have organized for marketing,

¹ *Statistical Abstract of the United States, 1914, p. 142.*

such as the co-operative selling agencies of California, or in trust-controlled products which have organized transportation, or in those articles in which the food

YEAR	PRODUCTION PER CAPITA		
	<i>Meats</i> —beef, veal, mutton, and pork (pounds)	<i>Milk</i> (gallons)	<i>Eggs</i> (dozens)
1899	248.2	95.6	17.0
1909	213.9	81.0	17.3
1915	219.6	75.5	17.8

YEAR	PRODUCTION PER CAPITA		
	<i>Cereals</i> —Corn, wheat, and rice (bushels)	<i>Potatoes</i> (bushels)	<i>Sugar</i> (pounds)
1899	43.9	3.6	6.4
1909	35.3	4.2	18.3
1915	40.2	3.5	19.9

trusts, operating refrigerator-cars, protected their own supply. In those instances where the farmer was unable to co-operate, or where he was at the mercy of the railroads and distributing agencies, the output of the farm has either decreased or remained stationary.¹

¹ The California fruit-growers market 67 per cent. of the citrus crop of that State directly to Eastern markets through a co-operative agency. There are no middlemen or speculators. They marketed \$50,000,000 of fruit in 1916. The growth of the industry shows the effect of freeing production from control by the distributors.

YEAR	ORANGES (boxes)	LEMONS (boxes)	FIGS (pounds)	OLIVES (pounds)
1899	6,167,000	876,876	12,994,000	5,053,000
1909	19,487,000	2,770,000	35,060,000	16,405,000

The farmer has always been ready and willing to produce. And he has continued to produce even under an embargo almost as tight as that against a belligerent country. But gradually one line of livelihood after another has been taken from him by the railroads, terminals, refrigerator-car companies, packers, cold-storage plants, or a combination of middlemen acting in concert with these agencies.

This is why farming in the Eastern States has ceased to be profitable. This is why farmers have abandoned their farms. They have been driven from them by the distributing agencies who really control their industry. And when these agencies had destroyed local competition and built up production in the South and West, when the local abattoir was closed and the local market-house had fallen into disuse, when the farmer ceased to produce for the local market in material quantities, then these same agencies turned on the big producers, the cattlemen of Texas and the wheat-growers of Dakota, the truckmen of the South, and repeated the same process. They combined against the cattleman and paid him less than the cattle cost. They rigged the price of wheat in the grain-pit; they glutted the local markets with fruits, vegetables, and perishables from a distance, and compelled the shippers to accept ruinous prices. Often they destroyed the shipments to keep up prices.

Controlling the cold-storage plants, they are able to buy and store when the farmer is necessitous, and then, having secured control of the market, they boost the price. There is no single trust-controlled industry in the country that is subject to as many different kinds of monopoly as is food, and in none of them has there been so much to discourage production.

The same conditions prevail as to cereal products. Scattered all over the country are grain-elevators and terminals. These, too, are privately owned, frequently by the directors and stockholders of the railroads. Into these elevators the grain of the farmer goes while waiting shipment. Here the grain is graded and its price fixed by rules established by the warehouses and millers. The farmers of the West are compelled to market their grain through these elevators just as the cattleman must market his cattle through the packing-houses. The methods employed by the grain exchanges, packers, and warehousemen are described in other chapters.

Closely linked with all these agencies are the banks of Chicago, Minneapolis, Kansas City, and the other food-terminal cities. The banks have branches or connections over the West which make loans to the farmers and the cattlemen. Through the interlocking interests of the middlemen and the banks, the producers are compelled to sell when the

distributers decree. They first fix the price as low as possible and then exert financial pressure upon the farmers to sell at the season when prices are low. Then after the food supply has been cornered prices are again fixed by the manipulators for the nation and the world. As stated in previous chapters the farmers and cattlemen in the West were forced, by these methods, to sell their produce year after year at less than cost.

The control of the food supply of America is more complete than any one really knows. And no monopoly has been as ruthless in its treatment of the producers, on the one hand, and the consumers on the other, as the food syndicates which operate in all of the larger cities and which control almost every article of food. This system is so inter-related that it is impossible to trace the conspiracies or the cost of the manipulations to the consumer. In addition to these agencies there are monopoly-owned steamship-lines that transport nearly all of the fruits from Florida and Central and South America, from the Carolinas and the eastern shore of Maryland, while the haulage of fruit, of meat, of fresh vegetables, of poultry, butter, and eggs, and of perishable products by land is done by the refrigerator-car companies, owning thousands of cars, which are hauled by the railroads at an agreed rate. The fast-freight lines give their owners an advantage over other competitors, for they can deny cars,

if they will, and by a variety of devices prevent the produce of the competitor from ever reaching the market. It was the privately owned refrigerator-cars that enabled the packers of the West to perfect their monopoly and drive competition out of this field. The packing-houses are few in number but their earnings are colossal. The earnings of Armour & Company in 1916 were \$20,100,000 as against \$7,509,000 in 1914. The earnings of Swift & Company in 1916 amounted to \$20,465,000 as compared with \$9,450,000 two years earlier. The earnings of Morris & Company, Wilson & Company, and other packers were equally high, while the earnings of the United Fruit Company shot up from \$2,264,000 in 1914 to \$11,943,000 in 1916.

It is a not uncommon experience for farmers to send a car-load of fruit, of vegetables, or of other produce to market and be advised that there is no sale for it, and the shipper will have to lose the freight as well. After one or more experiences of this kind the producer goes out of business. He abandons that particular line of production. He permits his fruit and vegetables to rot on the ground. When the dairyman casts up his accounts and finds that the price he receives for his milk does not pay for the feed of his cattle, he goes out of the dairy business. After the local truck-gardener has seen his food spoil at the station because of the inability or unwillingness of the railroads to market it, he

throws up his hands. And when the cost of transportation to market is as much as the farmer receives for his labor, he comes to the conclusion that there is something wrong with the government that permits such a thing, and he turns away in despair, for he sees no prospect of relief.

I have not the slightest doubt but that the production of food of all kinds would be increased enormously all over the country if the railroads were in public hands. I believe that the Eastern markets could be supplied from their own doors if they were free from the discrimination and embargo which now prevails. One of the greatest of all obstacles to the revival of farming is the uncertainty of a market and the fear that the transporting and distributing agencies would bring the efforts of the farmer to naught. Other countries have discovered that these agencies cannot with safety be left in private hands, and in other countries cities are surrounded by gardeners and truckmen who supply the local market.¹ They raise cattle, sheep, hogs, and poultry, and sell directly to the retail merchants or through the markets of the near-by cities. These countries have eliminated the private distributor and have opened up the highways, the warehouses, and the cold-storage plants and made

¹ In Baltimore, where splendid markets are maintained by the city, the cost of living is very low, while all about the city the business of truck-gardening has been developed to satisfy the local demand.

them agencies of service rather than of profit. Such a programme is necessary in the United States if we would bring agriculture back to life again and reclaim the abandoned farms of the country to labor.

CHAPTER X

DENMARK: AN EXPERIMENT STATION IN AGRICULTURE

SOME years ago I visited the little state of Denmark, which protrudes up into the North Sea at the western corner of Europe. As I crossed the low-lying moors I was impressed with the snug little villages, the neat and attractive farmhouses, and the buildings in the towns. But most of all I was attracted by the appearance of the country, the intensive cultivation of the soil, the use of every waste place, of a new kind of agriculture that I had not seen anywhere else in Europe with the exception of Belgium and Holland.

The land was not naturally fertile. That was apparent from the car window. Nature had been none too generous with this little corner of Europe, about twice the size of Massachusetts, and with a population of 2,861,000, about half the population of New York City, of which about 40 per cent. live in towns or cities and 60 per cent. in the country.

Copenhagen, the capital city of 500,000, partook of the prosperity, good order, and cleanliness of the agricultural towns and country districts. The slums were almost negligible. There was little evidence of

poverty. All classes of people seemed to have leisure. They frequented the restaurants and cafés, they went to the Tivoli—the city's pleasure resort—in the evening by thousands, where rich and poor enjoyed themselves in a simple, democratic way. Everything suggested personal and political freedom, democracy in politics as well as in life.

Denmark has a king, it is true, but he exercises little power, while the parliament, I learned, was ruled by the peasants, or small farmers, working in co-operation with the radicals and socialists. Women have recently been granted the ballot. And the upper house of parliament, which is the obstacle to progressive legislation in most of the countries of the world, has been shorn of its power.

But Denmark is particularly interesting at the present time because of what she has done for agriculture, for keeping her people upon the land, for the many experiments which she offers to the world. For Denmark is an experiment station whose achievements must be copied, in part at least, if the United States is to save agriculture from decay and keep her people on the soil. Denmark has done this in the face of natural obstacles far greater than those which confront any other country unless it be Holland. And she has done it *by law*, by the use of legislation and the control of politics in the interest of the farmers.

Fifty years ago Denmark lost her choicest posses-

sions, Schleswig and Holstein, to Germany. Cheap agricultural produce from the American West threatened her home as well as her foreign market. Political and industrial depression settled upon the people. There was little to justify hope under these conditions. Yet to-day Denmark is one of the wealthiest countries in Europe in proportion to its population. The average deposits in the savings-banks are \$77.88. In England they are only \$20.62 and in the United States \$31.22. The number of depositors in the banks is higher than in any other country, being 51 out of every 100. And 78 per cent. of the savings are in the rural districts. There is a telephone in nearly every fair-sized farm, while Danish cattle, Danish bacon, and Danish eggs are recognized for their superiority all over the world. Before the war Denmark supplied Germany with a considerable part of her cattle; the Danish dairies supplied England with butter and the British people with bacon and eggs. There were no high-cost-of-living investigations in Denmark; there are no monopolies or trusts, and, while the country has few persons of great wealth and relatively little industry, more has been done for education, and intelligent education, than in almost any country in the world.

How was this brought about in the face of a niggardly nature, a chilly, inhospitable climate, in a relatively poor state surrounded by greater powers?

The movement began with education—a strange

kind of education that has no exact counterpart in the world. The nearest approach to it in this country is the Gary system, with this important difference, that the Gary system is primarily designed for the cities while the schools of Denmark are for farmers. They were conceived by an insurgent bishop, Grundvig by name, who insisted that the schools of the country should be shaped to the needs of the country. He saw that education should be agricultural and the culture of the country should be the culture of the farmer. He spent his life, as most agitators do, without seeing the results of his efforts come true. But to-day there are eighty-two of these people's high schools in Denmark, each one of which is independent in its administration and each of which is a centre of politics, of discussion, of propaganda, of agricultural training. The years of attendance are from 16 to 35; the boys attend in the winter and the girls in the summer. The cost to the pupil, including board and lodging, is about forty dollars a year. Text-books are but little used. Classroom work of the ordinary kind is of secondary importance. The schools idealize country life and the nobility of manual toil. To attend one of these schools is the ambition of the peasant. He is taught the history of his country. He learns the songs of Denmark. He acquires a strong body. In addition, the curriculum includes farm accounting, natural science, drawing and surveying, bookkeeping,

and agricultural economics of all kinds. Round about the schools are experimental farms. The student learns about agriculture and the conduct of the thousands of co-operative societies which are to be found all over Denmark. He acquires a love for farming and a scientific appreciation of its possibilities and its joys. About 10,000 pupils attend these schools every year.

The Danish farmer is the most intelligent farmer in the world. And he has a culture of his own, gained from the emphasis which has been put upon farming by the nation. For not only education but legislation and the politics of the state are concentrated on agriculture as the predominant interest of the people. And as a result of education, a widely read press, and endless political organizations the farmer has become the ruling class in the state. He dominates parliament. Members of the ministry are chosen almost exclusively from among the peasants, and the railroads, taxation, and social legislation are directed to the intelligent upbuilding of agriculture.

And back of everything else, and in a sense explaining it, is the relation of the people to the land. Fifty years ago Denmark was divided into great estates as still is a great part of Europe. The feudal system had survived. The great landowners, the titled nobility of the country, ruled parliament in their own interests. They shifted the taxes

onto the peasants. They kept them in ignorance. They refused to ameliorate the condition of the agricultural worker, who was little better than a serf. Denmark was a landed oligarchy, the upper house of parliament being a kind of House of Lords.

All this has been changed. The Danish farmer is no longer a tenant. He owns his own farm. And being an owning farmer, he has every stimulus and ambition to improve his farm. In this he is like the French, Swiss, and Dutch peasant. To-day 90 per cent. of the farmers of Denmark own their own farms as compared with 63 per cent. in the United States. In the South and West the percentage of farm ownership in this country is very much lower. In the new State of Oklahoma farm ownership amounts to only 45 per cent., in Alabama to 40 per cent., and in Texas to 48 per cent. And in many counties throughout the West farm ownership has dwindled to 30 per cent. of the farming population.

The Dane appreciated that the first necessity of successful agriculture was ownership. For the history of every country shows that tenant farming is wasteful and indifferent. It leads to the exhaustion of the soil. The tenant has no ambition; he makes no effort to improve his farm; he has little political and social interest whether it is in Ireland or America. And home ownership has changed the entire psychology of Denmark. It has changed

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agriculture and politics as well. For as soon as the Dane acquired a farm he began to have many other interests. He protested against the rulership of the landed aristocracy and, being in the majority, he sought a more democratic form of government. Year by year his control of parliament has been strengthened, until to-day the peasant, with the more radical groups from the towns, controls the government of the country.

And being a home-owning farmer and realizing its advantages, the peasant worked out a constructive plan for breaking up the remaining feudal estates and for distributing the land among his sons and the workers of the city. An appropriation of \$10,000,000 was first made, to be allotted by an agricultural commission to persons who desired to acquire farms costing in the neighborhood of \$1,200. The applicant needs only provide 10 per cent. of the cost; the state provides 90 per cent. The would-be farmer must be indorsed by other farmers and have had some experience in agriculture. He pays interest at the rate of 3 per cent. upon the loan advanced by the state and is given from thirty to forty years in which to repay the capital loan in annual instalments of from 1 to 2 per cent. The new farmer is aided by his neighbors. The state itself sends agents, who instruct him in planting, in dairying, in the rotation of crops and the care of the soil. Under this law the number of peasant

owners have increased year by year, until to-day nine out of ten farmers own their own farms.

These farmers of Denmark are distributed as follows:

SIZE OF FARMS— ACRES	NUMBER OF FARMS IN THIS CLASS	TOTAL NUMBER OF ACRES IN CLASS	AVERAGE SIZE OF FARMS
Less than $1\frac{1}{2}$...	68,000	25,000	.37 acres
$1\frac{1}{2}$ – $13\frac{1}{2}$	65,000	450,000	7.00 “
$13\frac{1}{2}$ –40	46,000	1,150,000	25.00 “
40–150	61,000	5,900,000	97.00 “
150–650	8,000	2,100,000	263.00 “
More than 650..	822	1,150,000	1,400.00 “

The average size of the 248,000 farms of the first five classes, which comprise nine-tenths of the land, is but 39 acres. Of these, 68,000 farms average less than one-half an acre each. The very large farms of the old feudal nobility comprise only about one-tenth of the total agricultural area.

The people's high schools form the educational, and farm ownership the economic, foundation of agriculture in Denmark. And each reacts upon the other. The peasant is willing to pay for education because he realizes that it increases his efficiency and the output of his farm. And education, in turn, trains the farmer to self-reliance, to a knowledge of politics and of co-operative group action as well.

As a result of these two agencies, Denmark has become an agricultural state par excellence. One

middleman after another has been eliminated, until to-day the peasants form a producing, distributing, and banking organization, handling through their thousands of co-operative organizations every line of business which affects their life. The railroads are owned by the state and are run for the farmers. Freight rates are adjusted so as to place Danish produce in Germany and England at the lowest possible cost. Before the war steamships plied from Danish ports to England with the regularity of express service, so that Danish butter and eggs could be laid fresh in the British market. Earnings of the railroads are kept low in order to encourage agriculture. The express, telephones, and telegraph business are also under state management.

But the Danish peasant is not a socialist although he works in harmony with the radical parties. The Dane thinks in terms of self-help. He relies upon himself rather than upon the state. He is a co-operative. Co-operation began in the early eighties with dairying. Prior to 1881 each farmer made his own butter. In that year a few farmers got together and organized a co-operative dairy. The venture proved so successful that other farmers organized similar dairies. To-day there are 1,087 co-operative dairies with a total membership of 158,000 farmers, who own three-fourths of the cows of the country. Nearly 95 per cent. of the farmers are members of these dairies, which shipped nearly

\$1,000,000 worth of butter a week to England before the war.

The success of co-operation in dairying induced the farmers to build co-operative slaughter-houses. To-day there are nearly 40 of these farmer-owned abattoirs, which slaughter 1,500,000 hogs annually and have a membership of 101,000. The raising of hogs was greatly stimulated by the co-operative movement, and the business has grown from 23,400 hogs to over 1,500,000. Even the egg business, which in many ways is the most interesting of all, has been organized along co-operative lines. Almost every farmer is a member of an egg-collecting society. The farmer does not take his eggs to the near-by store and sell them for whatever he can get. He sells them himself. The country is divided into circles or districts. The egg association collects the eggs from the individual farmers and takes them to the near-by warehouses. Each egg is stamped with the name of the producer and the date of its delivery, so that any complaint may be traced. The eggs are then sent to Copenhagen, where they are packed and classified for export. In 1896 the egg-export business amounted to about \$2,000,000. By 1908 it had grown to \$6,600,000. Danish eggs have a reputation of their own. They are always fresh and they bring high prices.

The peasant has pushed his co-operative activities into other fields. Some years ago the middlemen

controlled the English market. They controlled the bacon industry. So the farmers organized a selling agency of their own known as the Danish Bacon Company of London. It immediately destroyed the meat trust and in addition it assured the farmer a sure market for his produce. Banking is also a co-operative undertaking. There are 536 co-operative savings-banks in the country whose deposits amounted to \$208,500,000 in 1906. The farmer also buys at cost. He buys through central agencies in Copenhagen, which then distribute the commodities to the various co-operative selling societies scattered all over the state. The farmer buys food for his cattle in this way. He buys his machinery as well as his own household supplies. A co-operative store is to be found in every village. The turn-over of the purchasing societies alone in 1907 amounted to \$17,500,000. The farmer also buys and now manufactures his own fertilizer by co-operation. There are peasant canning factories, creamery supply companies, as well as co-operative organizations for the insurance of live stock against hail and other storms. As a matter of fact, there is scarcely an activity or a need that is not covered by one or more co-operative associations. And there is scarcely a line of agricultural economy that is not promoted by the state or by an organization designed for this purpose.

Co-operation is another expression of home-

ownership. For the tenant is rarely a co-operator. He has no permanent interest in his farm. He moves from place to place and is interested only in getting as much out of the soil as he can before he moves to another farm.

The Danish peasant has realized dividends from his education, from home-ownership, from co-operation and the control of the state in his own interest. In thirty years' time the export trade in farm products has increased 600 per cent., while the standard of living and the education and culture of the people has been raised to a higher general average than that of any country in Europe. The annual exports to England amount to nearly \$90,000,000, of which \$51,000,000 is in butter, \$30,000,000 is in bacon, and the balance is in eggs. The total export trade of the country is approximately \$380 for every farm, of which 133,000 of the 250,000 in the country are of less than 13½ acres in extent, the average of all the farms of Denmark being but 43 acres. The export business alone amounts to \$9 per acre in addition to the domestic consumption as well as the support of the farmer himself.

The peasant uses the state in many other ways. Commissions are sent abroad to study foreign markets and foreign needs. Stock is bred from the best animals. Chickens are selected for their qualities as egg producers. The soil is studied and reports are made upon it. Nothing is left to chance. Ma-

chinery, too, has been universally introduced. The government grants \$100,000 a year to six experiment stations in breeding. There are, in addition, over 100 co-operative local experiment stations founded by the farmers. Cattle, horses, and hogs are studied with as much care as is industry in other countries. There are breeding societies and other agencies for ascertaining the best kind of live stock. And the animals are cared for with all of the skill of veterinary science. Drastic measures are taken against the foot-and-mouth disease, and tuberculosis is guarded against often by giving each cow her own drinking-vessel.

Democracy is a very loose term. It means different things in different countries. But, taking all of the elements into consideration, Denmark is possibly the most democratic country in the world. It is democratic industrially as well as politically. Special privileges have been eliminated. There is no parasitical class. The government is run by the producers. And Denmark and Australia are almost the only countries in the world where this is true. Ordinarily the privileged classes are in control. And they legislate in their own interest for the protection of monopoly, special privilege, and the advantage of their class. In Denmark, government, education, and the machinery of distribution and exchange are in the hands of the farmer, who has educated himself in statesmanship, in agricultural

science, and in co-operative business, until this little state is almost as self-contained in its activities as was the market of a small town in New England a hundred years ago.

CHAPTER XI

HOW AUSTRALIA CONTROLS THE FOOD PROBLEM

FROM the beginning of the Australian settlement there has been a marked tendency toward state socialism and the control of property in the public interest. The Australian colonies are, in fact, the only colonies of Anglo-Saxon stock that have abandoned the *laissez-faire* philosophy which prevails in Great Britain, the United States, and Canada. The railroads were obviously destined to be owned by the state, owing to the fact that lines had to be built to develop the interior of the country and to open up the mining regions. Private capital would not undertake such ventures or was only available at exorbitant rates. Even to-day railroads are being built with the aim of developing sections of the country which will not be profitable for generations. But they open up the territory and justify themselves in this way. As soon as existing lines become profitable extensions are built into new territory. This keeps down profits. There were 18,653 miles of railway in the commonwealth in 1912, of which only 1,755 miles were in private hands. Of these nearly one-half were timber and mining lines not open to the public. Freight rates and

passenger fares on the private lines are double and sometimes treble those on the state-owned railways, and the former make no concessions in time of emergency.

As in Germany, Denmark, and Switzerland, the railroads are operated for the upbuilding of the state. As Australia is primarily an agricultural nation, the aim is to aid the farmers in every possible way. An instance of such assistance in times of stress is the activities of the railways of Victoria in the drought of 1914, when they carried live stock from the affected areas to the green state forests along the seacoast. The railways also hauled water for household and stock use to the dried-up areas.¹ The government railways are equipped with refrigerator-cars and can accommodate the model travelling dairies sent out by the state for the instruction of farmers. This is indicative of the operating policy. The railways are treated as are the roads and highways. They are means of communication, not for profit but for public service.

New South Wales, Victoria, Queensland, South Australia, and West Australia have splendid workshops for the manufacture and repair of rolling-stock. An instance is cited in which the government shops at Newport, in competition with private works on a contract for engines, bid so much lower than the private interests that the latter accused the man-

¹ Elwood Mead, in *Metropolitan Magazine*, January, 1917.

ager of the government works of not knowing his business. An official investigation revealed the fact that the Newport bid not only allowed for reasonable profit but might even have been made lower still.¹ New South Wales has the biggest railway mileage in the commonwealth, having one mile for each 457 people.

All of the Australian states and New Zealand operate a number of agencies to aid the farmer to market his produce. The railroads are the chief means of promoting agriculture and for protecting the farmer. Among these agencies are commercial agents to investigate foreign markets. Wharves and docks at the seaports are owned by many of the states, as are also ship-building yards and cold-storage warehouses. Grading of produce for export is a function undertaken by some of the states to keep the shipper up to certain standards. A careless shipper is not allowed to spoil the market for the others. This is also the Danish practice.

As a result of all these activities freights have been lowered in price and the service has been improved. The Australian shipper can send his butter 12,000 miles to England for one cent a pound and his fresh meat over the same distance for $\frac{1}{4}$ of a cent a pound. To send food from California to New York, one-third the distance, costs three times as much.

¹ *Australia's Awakening*, W. G. Spence, 452.

Just after the war broke out Australia found herself with an unusually large wheat crop on hand and an insufficient supply of vessels to transport it, owing to the withdrawal of steamers from that part of the world. The government immediately arranged with the British Government that all the ships carrying troops to England should carry grain in their holds. No middleman was allowed to derive any benefit from the government aid. The government bought the wheat at a fixed price of 75 cents a bushel cash and is to pay an additional sum when the sales are completed and expenses deducted. Over 150,000,000 bushels were bought by the government in these transactions.¹

In 1915 the cost of living rose so high that the government went into the meat, sheep, and hog exporting business to England in order to eliminate the middleman.²

The state of South Australia is one of the most advanced in regard to export arrangements under government management. It handles the export business of the state by a produce export department which was established in 1893 and began working the following year. It was designed primarily to help the small farmer, who was practically unable to reach the markets of the world. The department receives produce at the port of ship-

¹ Elwood Mead, *Metropolitan Magazine*, January, 1917.

² *International Year Book*, 1915, article on "Australia."

ment, usually Port Adelaide, and sells it in the London market. Rates for freight and insurance were so high on small shipments that the small farmer was practically excluded no matter how great the demand for his produce. Only collective action, undertaken by the state, could help him. The export department takes charge of his goods even before it reaches the port of shipment; the farmer merely delivers to the nearest railway station, which is state property. The produce export department eliminates the distribution, it being the only broker involved, turning over to the producer the profits that usually go to the middleman and deducting only the necessary cost of marketing. The department has no secrets. Its accounts are public, showing every transaction down to the last cent of receipts and expenditures.¹

The export department handles perishable goods and frozen food, calls for fruit, etc., at any railway station, contracts for cargo space on steamships, and sells the goods to the world markets, all at a small charge, which is about one-half what the Tasmanians pay a private firm for the same work. Eggs, poultry, lambs, butter, wine, grain, honey, rabbits—anything for which there is a demand or prospect of a demand—comes within the category of produce handled by the department. Live stock is slaughtered, dressed, frozen, and shipped.

¹ *Newest England*, Henry D. Lloyd, 323, 324.

Arrangements are made for pushing and advertising the colony's wines.¹

Abattoirs are also owned by the states or the cities as they are all over Europe. In 1908 slaughtering-yards were built at Port Adelaide, with a capacity of 8,000 lambs per day and cold-storage facilities for 20,000 carcasses. The poultry export department did an interstate trade of \$600,000 in 1907 in addition to \$100,000 worth sent to New Zealand and \$10,000 to England. In 1908 the profits of the slaughtering and freezing plants, after allowing all expenses, were \$8,700, nearly all of which was on the refrigerator-plants. The commodities sold by the export department of South Australia in 1909 were as follows: lamb and mutton, 276,119 carcasses; wine, 55,618 gallons; fruit, 153,904 cases; eggs, 51,943 dozen; honey, 95,468 pounds; oranges, 1,645 cases; lemons, 400 cases; besides poultry. The total export value in that year was \$1,414,086.²

In July, 1913, the city of Adelaide opened at Port Adelaide one of the largest and most extensive abattoirs in the world. The total area of the land belonging to the slaughter-houses is 626 acres. "Belonging to the markets are seventeen large motor-lorries, with specially constructed, isolated van bodies, which deliver at the butchers' shops"

¹ *State Experiments in Australia and New Zealand*, Wm. P. Reeves, vol. I, p. 383.

² *Australia's Awakening*, W. G. Spence, p. 458.

on a time-schedule. The city also has municipal cold-storage plants.¹

Even in the early days of the produce export department the state proved itself a good business agent. When there was little goods for export it rented its cold-storage rooms to butchers, produce-dealers, etc. It lost money for a long time, it is true, on its rabbit-sorting and refrigeration, but it received indirect returns in the greater capacity of the country to raise sheep through the mitigation of the rabbit pest.

When stock is delivered at Port Adelaide and the government does the slaughtering it returns the skin and fat to the owner but reserves to itself the other by-products, which it uses scientifically. Even live poultry is received, killed, and dressed, graded, frozen, packed, shipped, insured, and sold by the government, and the amount remitted, all according to a schedule of charges furnished the producers in advance.

In 1909 the minister of agriculture estimated that the produce export department had added \$10 an acre to the value of all lands in South Australia fit for growing lambs, butter, wine, or fruit. As soon as the export department paid 4 per cent. on its capital the charges were to be reduced. Even before 1900 it showed a profit of 3 per cent. on the capital invested.²

¹ *The Collectivist State in the Making*, Emil Davies, p. 71.

² *Newest England*, Henry D. Lloyd, pp. 325 ff.

The middlemen in South Australia were robbing the farmer of his dairy profits; so in September, 1906, the government started a dairying establishment which in 1909 was turning out four tons of butter a week. As soon as its success was demonstrated \$375,000 more was appropriated for extensions to the plant. The butter is guaranteed to be first-class and good prices are secured; also a wider market, owing to the confidence in the state butter.¹

New South Wales has an export department and government-owned port facilities at Sydney, but up to 1903 did no selling for its clients as is done in South Australia. The harbor trust of Sydney shows a substantial return on a capital investment of \$25,725,000, and the Melbourne harbor trust made a profit of \$302,060 in 1908. Both are state institutions.

Victoria pursues a similar policy. It receives, grades, and ships fruits, butter, rabbits, tobacco, and other things. It represents the shippers collectively in making contracts with steamship companies for freight, these contracts including the use of refrigerating-chambers. It arranged for the first direct steamship communication between Victoria and Manchester. Even as early as 1901 it had done so much for the dairy industry that the under-secretary of agriculture was able to say: "Victoria is now the largest exporter of butter except Denmark."

¹ *Australia's Awakening*, W. G. Spence, p. 459.

The government grades the butter in its cold-storage warehouses at Melbourne and packs and ships it. At first the cold storage was free to the dairymen, but later a charge was made. In Victoria most of the butter exported is stored by the government in its refrigerator-plants. Inferior butter is marked "pastry brand."¹ In the same way the poultry export in Victoria has been aided, size and weight of shipments being regulated by the government. The government cattle inspectors kill diseased cattle without compensation to the owner. The government began experimenting with the export of frozen rabbits, which were received at its cold-storage chambers and sorted, and thus turned what had been a pest which threatened the pastures in Victoria into a source of profit.

In New Zealand *all* the butter exported is graded and stored in government refrigerator-plants. At first a bonus was granted to dairymen producing a certain amount for export, but after the trade was well established the bonus was dropped. The function of grading has been carried on by the state since 1896. In fact, it was New Zealand that originated the system of grading for export. It also grades for domestic use. At first the innovation caused loud complaint as an interference with personal liberty, but it was soon rightly understood.

¹ *State Experiments in Australia and New Zealand*, Wm. P. Reeves, vol. I, pp. 379, 383.

This colony also provides cold-storage facilities at a low charge. It maintains a produce commissioner in London. That government undertakings of this sort are familiar in New Zealand may be seen from the matter-of-fact tone of the following news item from a New Zealand paper in 1900:

"The agricultural department has decided to make its first shipment of poultry to London in February. The department has arranged to kill and dress all birds sent to the depots to be established at each of the four chief ports, and it will also be willing to send them to the home market at the risk of the owner. A small charge will be made for killing, dressing, and packing. The cost of shipping the birds to London will be equally reasonable."¹

At one time New Zealand products were under the domination of a shipping ring. In order to break the monopoly the government threatened to establish a line of its own, and the ring was broken. The parliamentary committee appointed to investigate the matter even advised the government to look into the possibilities of procuring steamers for conveying coal purchased by the government at the port of shipment and the opening of retail agencies under state control.

The state of West Australia, stretching across the whole western third of the continent, has its own steamers for carrying meat from the sheep-raising

¹ *Newest England*, Henry D. Lloyd, p. 333.

districts of the north to the centres of population in the south. In 1913 three of these steamers were owned by the government of West Australia. The Honorable John Scadden, prime minister, in an interview in the *Labor Leader* on February 20, 1913, called these steamers an important step in the control of the food supply. "Previously," says Mr. Scadden, "the traffic was in the hands of a combine, but by our intervention and the starting of state butchers' and grocers' shops we have effectively broken the back of the food and meat trust and have already reduced the price of meat from one shilling (24 cents) to 5 pence (10 cents) per pound, and soon we shall have complete control of the coastal shipping service. This is only the consistent corollary of the state ownership of the railways."¹

After the drought of 1914 the state of Victoria chartered ships on which 50,000 tons of hay were transported from South America for the draft animals to be used in the next season's ploughing. This action on the part of the state was an important factor in producing the unusually large crop that followed the drought. The state spent \$3,000,000 in these transactions.²

¹ *The Collectivist State in the Making*, Emil Davies, p. 33.

² Elwood Mead, *Metropolitan Magazine*, January, 1917.

CHAPTER XII

OPENING UP THE LAND TO SETTLEMENT

THE Australian states and New Zealand suffered from oppressive monopolies of various kinds, including land, money, and steamships. Tracts of 75,000 acres of fine land, occupied by a population of a half-dozen families, were not uncommon. In 1891 nearly 18,000,000 acres of land were held by 1,615 people, while 100,000 people occupied less than 300,000 acres. In 1898 21,000,000 acres out of 34,000,000 were held in tracts of 5,000 acres or more. Much of this land had been dishonestly acquired. Tenancy was developing of as bad a sort as in the mother country.¹ Of those who occupied their own land 50 per cent. were mortgaged so heavily that their interest payments amounted to a rack-rent. On the other hand, the state-built railroads increased greatly the value of some of the large tracts that had been bought for a small sum in the early days of the colony. Rail-lines were sometimes built just to bring the produce of a single big sheep-raiser to market. Public improvements

¹ *Newest England*, Henry D. Lloyd, 126-133.

on these large, isolated tracts still further increased their value. The war with the Maoris, causing a debt of several million pounds, was fought merely to secure more lands for the monopolists—at least, that was the result. Absentee landlordism flourished and an exodus began to take the place of immigration into the colony. Although New Zealand could have supported 10,000,000 people easily, it found itself with a scarcity of land for 750,000. Companies, banks, and speculators had secured control of the resources of the country. The landowners, moreover, had devised a system of taxation that bore heavily on improvements and very lightly on land values.

The small farmers were incensed at having to pay more taxes for every improvement made while the great landowners who made no improvements went free. It is true that in 1878 Sir George Grey had introduced the land tax into New Zealand, but it was soon repealed and replaced by the sort of property tax the landowners wanted. Nevertheless, the efforts made by Grey bore fruit, and thirteen years later he declared New Zealand to be the first country to have a fair land tax.¹

The first step toward a land tax was taken in 1892 and was very cautious. The legislation of this and the following years aimed to prevent future monopoly in land and to break up by purchase,

¹ *Newest England*, Henry D. Lloyd, pp. 121, 134, 138.

compulsory if necessary, the monopoly already existing. The ultimate object of the laws was to repopulate the large estates with tenants of the state. Underlying the legislation was the philosophy that land should be held only for use and for such use as was for the public good—the public to be the judge of what was good.¹

Under the new laws improvements were not wholly exempt from taxation. In fact, only \$15,000 worth escaped taxation. Land values, except in the case of small properties, were taxed after mortgages had been subtracted. When the land value exceeded \$25,000 above improvements it was subject to a progressive land tax.²

In order to prevent future monopoly, it was provided that not more than 640 acres of the lands resumed, or bought back, by the state might be bought or leased by one party, if the land in question was first-class land. In the case of second-class land a maximum of 2,000 acres might be taken, and in the case of sheep lands, 4,000 acres. If the would-be purchaser already owned this amount he could not increase his holdings.³ Mineral and oil lands were reserved to the state. Public lands might still be bought in freehold but not the lands the state bought back.

Certain restrictions as to area, improvements, etc., are put upon the resumed lands when they are

¹ *Idem*, p. 137.

² *Idem*, p. 116.

³ *Idem*, p. 138.

resold, to prevent monopoly and insure utilization. If the purchaser does not obey these requirements his farm will be taken away. Resumed lands, although not sold in freehold, are sold on "lease in perpetuity," and everything is done to make this sort of purchase attractive. Such a leasehold may be passed on by the farmer to his children or may be leased by him, sold, or mortgaged, but it always remains under state restrictions regarding use, the prohibition of speculation, and sale to other speculators. The land may not be kept idle. The leaseholder owns all the value he puts into the ground, and all the improvements he makes, for the state guarantees him this value even if he has to give up his lease through some fault of his own. The whole scheme is designed to promote home ownership by poor men, who can in this way get land without a cash payment. Of course, each applicant is investigated as to character and financial status. He must have enough capital to work the holding for a year. Distribution of the land to be parcelled out is made by lot.

The state proceeded cautiously in working out the plan. Only \$250,000 was asked from Parliament as the appropriation for the first year's purchases. Within a very few years the sum appropriated had risen to \$2,500,000 annually. In resuming lands small estates are not taken. And in breaking up the large estates those who have been

working on the land as laborers are given the first chance to lease before it is thrown open to the public.¹

The example of New Zealand has been followed by Queensland, South Australia, West Australia, and Victoria, each of which has enacted laws for the resumption of private lands suitable for farming. The laws have failed in New South Wales owing to the opposition of the Labor party, which insisted that the plan would benefit only the large land-owners who would be glad to unload their holdings on the state.

The Closer Settlement Board of Victoria was created for the purpose of developing farm colonies, with an appropriation of \$2,500,000 annually for five years. It may purchase land and divide it into farms not to exceed \$7,500 in value, agricultural laborers' blocks not to exceed \$1,000, and workmen's allotments not to exceed \$500 in value. By the end of 1907 the board had purchased forty estates, aggregating 207,788 acres at a cost of \$7,293,225. The number of holdings made available was 1,216. The plan has not been a very brilliant success, however, because of the absence of a proper land tax, so that the price of land has been too high. A land tax and compulsory purchase are needed to produce the best results.²

¹ *Newest England*, Henry D. Lloyd, pp. 139-146.

² *Australia's Awakening*, W. G. Spence, pp. 465-466.

The Australian states and New Zealand retain the ownership of the beds of streams and a strip of the land on either side. Thus no community is ever in danger of being held in bondage by the owners of riparian rights and much costly litigation is avoided.¹

Irrigation settlement in Victoria is entirely under government control. The state has built the weirs, reservoirs, canals, channels, etc. The water, bed, and banks of streams are exempt from alienation forever. Fortunately the state established this policy before private companies had a chance to lay claim to these lands. West Australia has carried out a very large and successful water-supply scheme costing nearly \$15,000,000.²

The Australian theory with regard to mineral lands is that they belong to the state and it does not part with them. Coal lands are leased, not sold. The output of the mines is not taxed, the state contenting itself with indirect returns. The lessee must fulfil certain requirements in working the mines and must employ a certain amount of labor. He is not permitted to hold the lands idle until his neighbors develop the surrounding territory; and if he postpones working his mines he forfeits his lease. The state receives its returns in the settlement of a larger population in the district,

¹ Elwood Mead, *Metropolitan Magazine*, January, 1917.

² *Victorian Agriculture*, Thomas Cherry, p. 264.

increased national wealth, and greater railway returns.¹

New Zealand owns and operates coal-mines and sawmills in the state forests. The state embarked on these undertakings recently and in order to break monopoly prices of coal and timber.²

All the states except Tasmania have some system for financial aid for the man on the land. In South Australia the credit agency is the state bank. West Australia has an agricultural bank and Victoria a Crédit Foncier. In 1908 over \$8,000,000 was lent to the farmers by these and other state agencies.

New Zealand set up its advances-to-settlers office in 1895 and was the first state to lend money on agricultural security. The author of the scheme was Sir Joseph Ward, later minister of railways in that colony. Loans at first were limited to a maximum of \$12,500. The sum was later raised to \$15,000. Interest rates were 6 per cent., including 1 per cent. for amortization.³ The plan benefited the whole colony except a small group of financiers. The help to the farmers was returned to the citizens in the shape of lower interest rates for themselves. The state never exacts usury, offers no cut-throat mortgages, charges no commission and no fee ex-

¹ *Australia*, J. W. Gregory, p. 121.

² Elwood Mead, *Metropolitan Magazine*, January, 1917.

³ *State Experiments in Australia and New Zealand*, Wm. P. Reeves, vol. I, p. 334.

cept for actual expenditure. Any amount may be borrowed, from \$125 to \$15,000. The state has never foreclosed, it does not try to induce the borrower to take more than he really needs, and he has usually thirty-six and one-half years to pay back. It advertises widely the fact that it is ready to lend money on agricultural security. The state lends 60 per cent. on freehold property and 50 per cent. on leasehold property. By 1901 over \$9,000,000 had been lent to settlers.

The South Australian Advances to Settlers act was passed in 1896, one year later than the New Zealand law. The lending office is the state bank. By 1902, after six years of operation, the trustees had lent \$3,565,000. The interest rate is $4\frac{1}{2}$ per cent. The state bank forced the bankers to demand lower interest from the farmers by competing with them. The state bank of South Australia lends money to the farmer not only on his farm but also on his shipments, if they have been approved for export.

The Victoria law dates from 1896, that of New South Wales from 1889. In the state of Victoria 4,000 families have been enabled to secure farms through state provision for aid to settlers and 6,000 workmen have been provided with homes in the city.

Queensland lends money to farmers for the building of co-operative sugar-mills. This has been done

to insure the working of the industry by white labor only and is part of the "White Australia" movement. Any group of farmers who desire to begin the cultivation of sugar and have no mill in the neighborhood where they can market their cane can petition to the government. An official is sent to investigate as to the suitability of the land for sugar-raising and the character of the farmers. The planters then incorporate and make application for the amount needed. The money is lent on the security of the mill and land. The construction superintendent is a state official, and "progress payments" are made on the loan as the building proceeds. By 1899 eleven of these mills had been built and were paying a profit averaging 9½ per cent.¹

Throughout the continent the *laissez-faire* theorists have been pretty well won over to state socialism. Doctor Cockburn, minister of agriculture in South Australia, once said: "If you bring hope into the life of the farmer, and make him sure of his reward and that his profits will not be taken away from him, you make him more efficient. Instead of sapping private enterprise we are assisting private enterprise. We are not anxious to organize patriarchal institutions but fraternal ones."²

All of the Australian states have approached the

¹ *Newest England*, Henry D. Lloyd, pp. 312, 330.

² *Idem*, p. 330.

food problem and the land problem in much the same way. They have realized that the farmer must be protected from certain kinds of monopoly just to insure that he will be able to market his produce. And the Australian states have freed both agriculture and industry by public ownership of the railroads, terminals, slaughter-houses, and marketing agencies, and by so doing have opened up the circulatory agencies of the country to the free play of initiative. In addition, the produce export departments collect, grade, and provide transportation from the farmer to his ultimate destination, thus insuring the best possible market for his produce. Australia recognizes that the individual farmer, 12,000 miles from his market, cannot possibly do his own marketing or insist upon a fair remuneration for his produce. Only through co-operative associations or the state can this be secured. And Australia has adopted the state as a market agency just as Denmark has adopted voluntary co-operation.

Under these arrangements the farmer is assured of the best market available and full value for his produce. There are no middlemen between him and the consumer, no gamblers, speculators, and private storage agencies that destroy or withhold food in order to force up prices. The arteries of the state are free from obstacles, and the prosperity of these countries attests the wisdom of the policy pursued.

In addition, these distant states are recognizing that land, from which all wealth ultimately comes, is designed for use and that use is the only justifiable title to occupancy. And they are breaking up land monopoly by taxation, by farm colonies, and by cheap credit, and are placing farmers upon the soil. Australia has had the same experience as the United States, where land was seized by monopolists or acquired at a few cents per acre, and, being practically free from taxation, was held for speculation, for grazing, or for some other use not beneficial to the country. To defeat these monopolists and end tenancy land has been taxed at a heavier rate than buildings, while state-aided farm colonies have peopled great stretches of unoccupied land.

Australia, like Denmark and Germany, has discovered that the state must play an important rôle in the protection of its producers and that such protection can only be secured when certain functions are performed by the state itself.

CHAPTER XIII

FOOD CONTROL IN GERMANY

WHILE England and the United States have endeavored to regulate monopoly by penal statutes, Germany, like Australia, has solved the problem through public ownership of the distributing agencies. And it is only through ownership that the host of speculators, middlemen, and forestallers can be eliminated.

Even before the war the more important agencies of distribution were owned by the empire, the states, or the cities. This has been the policy of Germany especially since the days of Bismarck. It is part of the programme of state socialism which has made Germany so efficient in the war.

Among the agencies owned by the state or the cities for the easy control of the food supply are the following:

- (1) The railroads, fast-freight lines, express companies, and parcel-post;
- (2) The slaughter-houses, stock-yards, and cold-storage plants;
- (3) The markets in the cities; and
- (4) In many towns the wholesale purchase and sale of food by the authorities to keep down prices and eliminate speculation.

The transportation agencies of Germany have been operated by the state for a generation. They are run for service and the up-building of all classes within the empire. That is the sole motive of operation. Although the railroads earn over \$200,000,000 annually as net profits, profit has always been secondary. That the German railroads are efficient even the opponents of public ownership in this country admit. They are operated to help industry, to build up agriculture; and none of the greater nations have done as much for scientific agriculture as has Germany. And the railroads have contributed greatly to the ability of that country to feed itself. No one, least of all the railway officials, would listen for a moment to the suggestion that farm produce for Hamburg, on the North Sea, should be brought from East Prussia because it would benefit the railroads or that municipal markets should not be started because it would injure the retail butcher or grocer and depreciate real-estate values. Nor would the protest of private interests against public abattoirs be seriously listened to by parliament or the city council, nor would any limitations on the size or kind of packages that can be carried by parcel-post be permitted.

As a result of this policy Hamburg is fed by farmers and market-gardeners round about Hamburg. Berlin is fed through the intensive cultivation of the land around Berlin. And every provision is

made to encourage such local food supply, including even cattle, hogs, and sheep.

The parcel-post is a marketing agency widely used for feeding the urban population without the intervention of any dealers or middlemen. Some years ago, in company with a group of American visitors, I attended a private dinner-party given by a member of the Reichstag in Berlin. As we entered the dining-room our hostess pointed to the flowers upon the table, and said: "These fresh flowers were brought this morning by the postman. Not only that, but the vegetables, eggs, butter, poultry, in fact, all of the fresh food for the dinner, came by parcel-post. I buy most of my supplies in this way from a farmer who lives many miles out in the country. He comes to Berlin three or four times a year; he calls on all of his customers, who give him standing orders, which he fills three or four times a week. The deliveries are made in a few hours by parcel-post, almost as fresh as when they left the garden. If I want to give a dinner-party I send him a postal card or call him on the telephone. That is the way I do my marketing."

The parcel-post is used as a marketing agency all over Germany and tens of millions of food packages are distributed yearly by this means. There are no middlemen at all; no one but the farmer and the *Hausfrau*.

Almost every city, too, owns its own slaughter-

house. All meat must be slaughtered in the public abattoir. There are no private packing monopolies. Private slaughtering is not permitted. All animals intended for food purposes are slaughtered under the strictest police and veterinary surveillance. The whole subject is covered by a special code of rules which went into effect in 1903. The farmers bring in their cattle to the nearest town; they are there examined by skilled veterinaries who are specially trained and examined for that calling. The most humane methods of killing have been adopted, while the sanitary rules are very stringent. And instead of the slaughtering of meat being concentrated in a few cities, as it is in this country, and under the control of five or six great companies organized as a trust, there were in 1914 over 1,000 public slaughter-houses of which at least 100 had stock-yards in connection with them. This was in a country about the size of Texas and with two-thirds of our population. These abattoirs are elaborate and costly institutions. Many new ones have been built in recent years. They are constructed of concrete or brick, are designed with great care, and some of them are almost as artistically planned as a garden village. They are as clean and wholesome as constant flushings can make them. The cities take pride in their slaughter-houses as they do in their schools or other public structures. In a report on the municipal markets and slaughter-houses in Eu-

rope, published by the Department of Commerce and Labor in 1910, we find the following report by United States consulates:

"The Barmen establishment is a model of its kind and is modern in every way in its construction. It was built in 1894 at a cost of 3,500,000 marks (\$833,000). . . . The ventilation is perfect and so effective that not the slightest odor is noticeable.

"The Berlin abattoir, located in the northern part of the city, was built in 1881 at a cost of over \$4,250,000 and covers an area of nearly 115 acres. It is regarded as one of the model institutions of its kind in Germany and one in which the most modern hygienic methods are used.

"In the municipal meat-inspection department 657 persons were employed, including one director, 47 veterinary surgeons, 15 assistant veterinary surgeons, 14 section superintendents for the trichina department, 26 assistant superintendents, 121 male microscopists and 120 female, etc."

Consul-General T. St. John Gaffney describes the municipal slaughter-house in Dresden as follows:

"Dresden has completed the erection of a model slaughter-house the construction of which covered a period of four years and which cost \$4,300,000. There are 68 buildings which are not only the largest from point of size but also the most modern in matter of equipment perhaps in all Europe."

The Dresden abattoir was completed in 1910. It lies just outside of the city. It is located on the river Elbe and is connected with the railroad.

Live meat is driven in from the neighborhood or is brought in by water or rail. The cattle, hogs, and sheep are either sold on the hoof to the local butcher or the meat is sold at retail to buyers. The abattoir is built of concrete. It includes a great cold-storage plant. There is a fine hotel and administration building attached, and the entire floor space, covering about 94 acres of land, is paved with cement so that it can be flushed with the use of a hose. The place is so clean that a woman can walk about the place in the daintiest clothes.

The slaughtering of cattle, like the transportation of all food, is under exclusive public control. There is little chance for monopoly because combination is very difficult. The farmers and butchers barter in the open. Cold-storage facilities can be rented by any one, for they, too, are public. There is thus no chance for the middleman. The price is fixed by demand and supply from day to day, with only the local butcher between the consumer and the farmer. Moreover, everything is sanitary. One of the impelling reasons for public slaughtering is to insure wholesome meat.

Here is another link in the chain of publicly owned institutions for insuring freedom from monopoly of the food supply of the nation. And nothing contributes more to diversified farming and the local supply of meat in every community than municipal abattoirs. Every farmer raises cattle, sheep, and

hogs. The farm is kept in a high state of fertility in consequence, while the farmer's income is supplemented by the sales of live stock.

Abattoirs are not operated for profit. The fees charged may only cover the cost of construction and operation. Over one-third of the public slaughter-houses of Germany show profits of from 4 per cent. to 6 per cent. and one-quarter of them show profits of from 6 per cent. to 8 per cent.

As a matter of fact, the United States is the only nation in which private slaughtering is permitted, with the possible exceptions of Great Britain and Turkey. But even in Great Britain many cities own their abattoirs. Switzerland has possessed public slaughter-houses for centuries, as have Holland, Denmark, Scandinavia, the Balkan States, Austria-Hungary, and Russia. Napoleon compelled all French towns to close their private slaughter-houses and erect public ones. And many of the French abattoirs are splendidly constructed. Italy and Spain have had public abattoirs since the Middle Ages, and in recent years these have been greatly improved. The Swiss, Dutch, and Scandinavian cities have in recent years erected abattoirs that are comparable to those in Germany.

The market is also a public institution in almost all European cities and has been for centuries. This still further prevents speculation in food supplies. It offers a place for the sale of fresh vegetables

and foodstuffs of all kinds. In almost every German town there is an open market in or near the public square which is used in the early morning and then cleared away at nine or ten o'clock. Large enclosed markets are also found in most of the cities in which vegetables, meat, fish, and other farm produce are sold. In Berlin there are fifteen such markets. These local market-halls are usually supplied from a central wholesale terminal market, located upon the railroad, river, or waterway, into which food is brought by the farmers and sold at public auction or at private sale to the retailers. The municipal markets frequently have ice plants and cold-storage plants attached in which space can be rented as in a safety-deposit vault. The public authorities supervise the markets and the dealers to insure proper prices and sanitary conditions.

In addition to the public ownership of all of the agencies for the handling of food, price regulation was quite common even before the war. The price of bread was regulated by municipal authorities. Food monopolies have been broken down in some cities by this process, while a number of municipal bakeries have been erected. In 1910, for instance, certain octroi duties or custom taxes on food entering the cities, which had been imposed by the imperial customs tariff law of 1902, were abolished. Butchers did not reduce the price of meat in consequence, and the local authorities stepped in and

either established, or threatened to establish, public meat-markets. The desired results were secured. In Stuttgart prices for meat, uniform for the whole city, were fixed monthly by a joint committee of representatives of the town council and the butchers' guild.

Some towns have long dealt directly in milk and other farm produce. The reason assigned for the municipal sale of milk is to reduce infant mortality. Berlin owns dairies on the municipal irrigation farms—the same farms which supply the city's institutions and poor relief. The milk is distributed from seventy centres, usually schools. Dortmund has a model municipal dairy for the use of its public institutions. Bielefeld subsidizes a co-operative dairy company and provides it with kiosks for the sale of milk and carts to carry it to the working-class sections of the town. Labor organizations and co-operative societies sometimes share with the town in the cost of establishing such services. The central municipal milk depot of Mannheim obtains its supplies from co-operative dairies.

Leipzig, Ulm, Magdeburg, and other cities carry on dairy-farming and stock-breeding on a commercial basis. The city of Stuttgart encourages the formation of co-operative societies of consumers for the purchase of milk direct from the producer. This city intended at first to undertake the business of itself distributing milk, but finally decided

on the other plan as a compromise method of eliminating the middleman.

In the years 1911-12, when there was a shortage of meat in Germany, many cities engaged directly in the meat business. The wide administrative powers possessed by the cities made it easy to do so, and the towns were encouraged in this action by the state governments. In Prussia the state urged the towns "to take steps to induce butchers to sell meat at reasonable prices or, failing this, to set up their own meat depots, to obtain supplies of cheap fish and sell them in public markets, and to insure regular and abundant supplies of vegetables and other foodstuffs, so that the daily food outlay of the working classes might be reduced."

Encouraged by the government, over 200 towns in all parts of the country contracted for supplies of foreign meat. The Berlin statistical office made inquiries in 1913 among 62 important towns and found that 60 of them, with a combined population of over 15,000,000, had organized their meat supply in 1911 and 1912 for the purpose of relieving the scarcity of meat and moderating its price. Foreign meat was purchased in quantities from Russia, Holland, Roumania, and other countries. Sometimes meat was sold direct to the public and sometimes through butchers at prices agreed upon by the municipal authorities. The city of Berlin sold \$1,875,000 worth

of meat in this way. The public got the meat 20 to 30 per cent. cheaper than fresh domestic meat, yet the undertaking was carried on at a profit in almost all cases. Occasionally a town reported small losses. A few towns like Offenbach-on-Main did not stop with these measures but continued systematically in the meat business. Offenbach opened shops and established a sausage factory. Other cities began pig-fattening and rabbit-breeding on an extensive scale or gave financial assistance to co-operative societies and individuals who did so, on condition that they sold a certain amount of produce annually to the people of the city. Other towns entered upon contracts with farmers' organizations and chambers of agriculture for the supply of definite quantities of meat at fixed times.

An even larger number of town councils did effective work in reducing the cost of living by purchasing sea-fish and selling it practically at cost. In the same way vegetables and potatoes were sold at cost at public depots.¹

Before the war the advisability of continuing such activities as a permanent feature of municipal administration was a debated question, although it had been proved conclusively that when necessary they could be carried on by cities without loss and to the advantage of large sections of the population.

¹ Dawson, *Municipal Administration in German Cities*, pp. 224-245.

As a matter of fact, many of the arrangements devised as temporary relief have been put on a permanent basis.

When the war came, therefore, the groundwork had been laid for an efficient control of the food supply. General measures for conserving the supply were under the control of the federal council, but the cities did effective work in co-operating and in distributing the food among their inhabitants in accordance with the new regulations.

Early in 1915 all stocks of wheat, corn, and flour were seized by order of the federal council, with the understanding that they would be distributed among the cities according to population. All business transactions in these commodities were forbidden from January 26 on. Municipalities were charged with the duty of setting aside suitable supplies of preserved meat. Owners of corn were to report their stocks immediately, which were requisitioned by the government at a fixed price. A government distribution office was established for the regulation of consumption and the proper distribution of the stocks among communities. Other measures of a less drastic nature had been adopted by the federal council previously.

In the middle of February, 1915, the federal council expropriated all the domestic stock of oats, with the exception of seed oats and the grain necessary for fodder for horses. They also fixed the

maximum price of oats at \$12.50 per metric ton. In March, 1915, the *Frankfurter Zeitung* reported that the government had decided to seize and regulate the distribution of oil-cake and other manufactured fodder in which it was said prices had been forced up by speculators. Also the number of pigs in the country was to be reduced from over 25,000,000 to about 18,000,000 to provide a supply of meat for the cities.

In July, 1915, the military authorities of Bavaria issued an ordinance providing for a year's imprisonment of any dealer charging excessive prices for articles of daily consumption, including food, heating, and lighting substances. A similar penalty was provided for those withholding stocks from sale in order to secure higher prices and for retailers refusing to sell to intending purchasers.

In regulating the prices of grain and fodder the country was divided into four districts in which prices varied according to local conditions. Corn prices remained about the same as before. Prices of rye were fixed at \$55 per ton (220 marks) for the Berlin district; 215 marks for the eastern district; 230 marks for the western district. The price of wheat was fixed at \$10 above rye, with an increase at a certain date of 1½ marks every two weeks. Barley as fodder and oats were placed under a uniform price throughout the empire.

The Vienna government confiscated the 1915

vegetable crop, including peas, lentils, and beans, to prevent speculation and reduce the high prices.

The city council of Hamburg appropriated 12,-000,000,000 marks in February, 1915, with which to purchase a supply of foodstuffs, fodder, and other articles, that the city might be prepared for eventualities. A commission was appointed to have charge of obtaining these stores.

Smoked meat is sold by the city of Charlottenburg in thirty-two publicly announced places, according to the *Kommunale Rundschau*.¹ None of this meat is sold to butchers or dealers. In the thirty-two places designated by the city no other meat than that dealt in by the city may be sold. Each purchaser may obtain a maximum of only four pounds, and the meat may not be resold. Prices are fixed for the various kinds of meat. Charlottenburg also sells potatoes and potato-flour through certain dealers at fixed prices.

Municipal meat and fish halls were established in Wilmersdorf several years ago. One of the chief purposes of the fish halls was to stimulate the use of cheap sea-fish. The purpose of the meat hall was to moderate the price of meat. In this case what was begun as a temporary enterprise at a time of high meat prices was kept as a permanent institution during the war.

The undertakings of the little town of Ostrowo,

¹ Issue of June 21, 1915.

in East Prussia, with 16,000 inhabitants, in the business of purveying food are typical of what many of the German cities accomplished. Early in the war this city began laying in stocks for its people in spite of its nearness to the Russian border. The city appropriated over 300,000 marks to secure a supply of bacon, fat, etc. The money was appropriated from the city treasury. When the Russian invasion threatened in November, 1914, the city moved a part of their stores inland. The city secured a large part of its stocks from the Central Purchasing Company in Berlin, in whose warehouses the goods were left till needed, on payment of a small storage fee. The food was sold direct to the consumer in the town hall, abattoir, and market hall. Some of it was sold through butchers and merchants on city account at prices fixed by the city. Purchasers were restricted to inhabitants of the city, partly to prevent dealers from selling to people in neighboring places at higher prices. The city council also made agreements with egg-dealers to purchase eggs at 1.40 marks per *mandel* (16 eggs), to be delivered by them every week. The eggs were then sold to the inhabitants at the same price. The city also began the selling of sea-fish early in the war and kept it up till the hot months, when it was discontinued till the following fall. These were sold through butchers and merchants, who were given a modest commission. The city also sold

fish from its own lakes. If bought at the lake shore they were released at very low prices. From all these transactions the city has sustained no loss. On the contrary, it managed to make money, out of which it bought a refrigerating-plant for the municipal abattoir, with a capacity for freezing 900 *zentner* of meat. The rest of the profits went to poor relief. These enterprises of the city have had a salutary effect on the prices of all food in the town.¹

The difference between the German and the American method of controlling prices is this: Germany realizes that the state must own certain things, such as railroads, terminals, slaughter-houses, etc., and operate them for service so that the circulatory system of the nation shall be free from private interests; while we in the United States make no distinction between such industries, which are natural monopolies and competitive business, and cling to the idea that competition will somehow regulate prices. And when we discover that competition does not operate and that monopoly appropriates the field, we attempt to regulate the abuses of monopoly by fines, imprisonments, and criminal proceedings against offenders. We create and legalize monopoly by the methods we adopt; while Germany uses a surgical operation and cuts out the parasitical agencies that gather around the

¹ *Kommunale Rundschau*, October 11, 1915.

natural monopolies. In consequence the food supply of the nation moves freely in response to the needs of the people. The only middleman is the government itself.

It is now proposed that the Federal Government create an even more elaborate system of regulation of price-fixing, etc. But such a programme would require an army of men to regulate the food supply of 100,000,000 people. And cost far more to provide such regulation than would pay interest on the property of the packers, of cold-storage and terminal warehouses all over the country. If these agencies were owned by the public they would be self-supporting just as they are to-day. They would cost the government nothing to maintain. Then they would be open and public. Conspiracies would be very difficult as would the forestalling of food to increase the price artificially. If every farmer, jobber, and retailer could place his own food in storage the law of demand and supply would regulate prices all through the year, just as it does for non-perishable stuff, such as clothing, furniture, watches, automobiles, etc. But what is far more important, with these agencies in public hands production would be encouraged. Facilities would be offered to market local produce. There would be an end to the conflict which now prevails between the railroads and the local farmer. And this conflict is far more costly than speculation. It discourages agri-

culture in the Eastern States and often ultimately destroys it. This is the unseen cost of private ownership in this field. It cannot be measured. But it is one of the prime causes for the decay of farming, of stock-raising, of dairying, and of market-gardening all around our cities and particularly in the East.

CHAPTER XIV

FROM PRODUCER TO CONSUMER

I AM convinced that America would be the cheapest place in the world to live in were industry and agriculture free from the many obstacles to production and the many agencies which take tribute from the consumer. There is land enough; there are men enough; there is willingness enough to produce fuel, food, lumber, and all of the necessities and comforts of life if the obstacles that lie in the path of agriculture and industry were swept away, as has been done in some industries and as has been done to all industry to a greater or less extent in other countries.

What can be done to eliminate unnecessary costs, middlemen, speculators, and dealers? How can the producer be brought to the consumer and the farmer be insured that protection in the marketing of his product that is essential if he is not to be discouraged from producing at all? Before trying other remedies, such as regulation, price-fixing, etc., why should not the very simple expedient be tried of freeing industry and agriculture from the control of parasitical agencies and the laws of supply and demand be given a chance to operate? We had such freedom up to the advent of monopoly in the nineties and we had no cost-of-living problem.

Moreover, this is the procedure adopted in the countries where the problem has been reasonably solved.

What are the necessary steps to secure such freedom of production and distribution in the food supply?

(1) Let us begin at the farm. It is obviously impossible for each farmer to find his own market in the distant city. It is absurd that he should ship his produce in broken lots at excessive freight rates and have no responsible consignee to whom his produce can be sent for sale. The first step is to organize shipments from the farm. And this is not difficult. It can be done by the creation of a State department of markets, with provision for county or local warehouses, to which any farmer can bring his produce and receive a receipt for it from a State agent or a representative of the farmers' organization if it is done by co-operation. Then the combined consignments of all of the farmers can be shipped to the city market in car-load lots irrespective of individual ownership. This would mean a saving in freight rates to the individual. It would relieve the isolated farmer of the necessity of seeing his produce through to the city, where in many instances he is defrauded of the value of his produce by the consignee or paid a nominal price fixed by the fictitious sales made by the exchanges. This is the Australian method, where the State produce

export departments receive the produce from the farmer at the railroad station and take it to the State-owned terminals on the seaboard, where it is either sold for domestic use or is exported to England, and an accounting rendered to the farmer.

Such a system of marketing has also been worked out by the citron-growers, orchard-owners, grape-growers, and wine men of California. They have formed co-operative market associations which collect, pack, and ship the produce of all the members to the Eastern markets. They have agents or consignees in the cities who receive and sell the combined shipments and account to the central agency in California for the sales, which agency in turn settles with the individual members.¹ This, too, is

¹ The California Fruit Growers' Exchange, a co-operative society, has been in existence twenty-one years. It handled \$50,000,000 worth of perishable fruits in 1916 at a cost of 1.78 per cent. for bringing its products to the wholesaler in eastern markets. It makes deliveries to 2,500 wholesalers. It maintains agents all over the country who handle the products of the exchange and dispose of shipments either at auction or by private sale. There are no dividends and no profits. The organization is managed by the fruit-growers, and has cut out all middlemen except the local wholesaler and the retailer. In 1916 the exchange forwarded 12,000,101 boxes of oranges, lemons, and grapefruit, or 67 per cent. of the total citrus fruits shipped from California. As a result of its activities the citrus-fruit growers have greatly increased their returns from the crop. In addition, losses from bad debts and all other causes totalled only \$102.73 in the year 1916. It cost them 5.65 cents per box, or 1.78 per cent. on the delivery value of the fruit. It presented and collected from the railroads claims amounting to \$111,557. It has accumulated a balance of \$159,064, available for refund to its members. The exchange is nation-wide in its activities. It includes a total of 162 shipping associations, and maintains 77 sales offices. About 8,000 members are served by it on a co-operative, non-profit basis at a negligible cost.

the plan in universal use in Denmark by the dairy-men, cattle and hog raisers, the egg and poultry men, who collect, pack, ship, and market directly to their customers through co-operative agencies. Possibly voluntary co-operation is too difficult for diversified farming and truck-gardening in this country. As an alternative, a State department for collective marketing, such as is proposed in New York, with county agents who would receive, ship, and sell at the final market, is the best solution. This would cut out the solicitors for the city dealers, it would reduce the cost of transportation, and would give the farmer a responsible agent, under surety bond, in the city to whom he could look to sell and account for his shipments.¹

(2) In every large city there should be one or

¹The following is a description of the methods by which the Danish farmer reaches his market in London. It was published in the *New York Evening Mail*:

"Just picture what goes on in Denmark, a country where farmers are prosperous. Consumers buy cheaply, and there are no robbers who stand between them. In this country the farmers are not prosperous, the consumers do not buy cheaply, and there are robbers between them. In Denmark, on a country road in the afternoon, one can see a man wearing the cap of the Farmers' Co-operative Association pushing a cart through the village, gathering from each house a dozen or two dozen eggs, tubs of butter, and packages of cheese. As he takes the produce he stamps the eggs and records the quantity delivered in the record book of the member. At the end of his three or four mile trip he meets a half dozen other men at a small transfer-station owned by the co-operative association. At the transfer-station great wagons or trucks are loaded with the products brought in by the hand-carts, and the trucks haul their loads to a near-by railroad-station. At the railroad-station enough is concentrated to fill a railroad-car.

"The railroad-car proceeds to a seaport, where it meets scores

more large terminal markets owned by the State or the city. They should be located on the rail-roads and water-fronts. They should be built over the tracks so that produce could be unloaded easily and placed in temporary or permanent storage. The terminal warehouses should be operated by the department of markets which should receive and sell consignments from inland points. These terminal warehouses should be of adequate size for all kinds of produce. They should contain cold-storage and refrigerator establishments into which perishable commodities could be placed, either in bulk or in small compartments, which could be rented by the shipper, by retail dealers, or by any individual consumer, like the safety-deposit boxes of a trust company. The warehouse should be equipped for meat, fish, fruit, poultry, butter, eggs, vegetables,

of additional cars loaded with the products of the association from all parts of Denmark. At the seaport a ship, owned or chartered, is waiting, and the train-loads of products are put aboard and started for England. In England the ship is unloaded into the warehouse of an English co-operative association to whom the Danish association has sold. Between these two associations the produce has been contracted for on a sliding scale for a year in advance. Between the farmers of Denmark and the working men of London there is no middleman.

"Take out your note-book and make a memorandum of the middlemen who stand between the farmers of Iowa and Wisconsin and the working men of New York and New England.

"Observe that the Danish produce moves in bulk—full carts, full trucks, full cars, full ships. That is the economy of transportation. Contrast it with our postmaster-general's proposition that individual farmer and consumer shall meet by using the parcel-post. He wafts each of the million families in New York to receive, in separate shipments, one chicken, one package of butter, one dozen eggs. That is the height of waste in transportation."

and all kinds of perishable products. The purpose of the warehouse is to create conditions similar to those that obtain in non-perishable products whose price remains the same throughout the year. If storage were provided for any one who desired it at a low rate it would be almost impossible for monopoly to exist, for monopoly becomes increasingly difficult as the number of persons engaged in a business is increased. If the farmer, the buyer, the wholesale and retail dealer as well as the consumer himself were able to buy and store for the future, combinations to keep up price would be next to impossible. Under such conditions the most perishable produce would have a competitive value, just as has clothing, furniture, machinery, dry goods, or any other commodity whose value is determined by the cost of production rather than the ability of those who control it to effect a corner.¹

The terminal warehouse should be provided with auction-rooms for auctioning produce at public sale in bulk. Here daily sales of consignments could be made to retailers as is now done by the private consignees in the large cities. Only, under existing conditions the consignees and auction brokers are too often in collusion. They fix artificial prices and work in co-operation with the railroads, commission-

¹ For a description of how terminal warehouses owned by the state operate to protect the farmer and the buyer, see Chapter XI, on "How Australia Controls the Food Problem."

men, and exchanges to reduce the return to the farmer and increase it to the retailer. The public auctioneer should be licensed by the State. He should be under the supervision of the department of markets and should be compelled to give a surety bond for the honest fulfilment of his duties. Or the auctioneer could be a State official, and the expense of his office could be borne by a small commission on sales, as has been done in New York.

Such a warehouse and selling agency under State control is urged by Commissioner Dillon of New York. By this plan all of the middlemen will be cut out and there will be substituted a public agency which will receive the produce of the farmer at stations throughout the State, which will give the farmer credit for what he brings in to the shipping station, and then ship the combined deliveries to the city in car-load lots and effect a substantial saving in freight rates. And in order to cut out the middlemen he would have the State or city erect a \$3,000,000 terminal warehouse and wholesale food market, conveniently located in the city, to which the produce could be shipped. In connection with the warehouse he would establish three co-operative stores, located in different parts of New York City, to which retailers and consumers could go and purchase food directly from the farmer through the department of markets. Into the terminal the railroads would bring the produce from the agencies

in the country districts, where it would be stored or sold to the retailers. By this means the entire process of collecting, storage, and sale would be under public control from the producer to the retailer.

The marketing of products through public agents in New York City was tried in a small way by the department of markets and foods in 1915. One of the products first handled was peaches, in which there was a particularly large crop. An agreement was made by the department of markets with the Truck Auction Company to sell the fruit at the receiving terminals daily at public auction. The producer was charged 5 per cent. on the sales, 3 per cent. being for the services of the auction company and 2 per cent. going to the department of foods and markets for expenses. The result was advantageous to both the producer and the consumer. The former received from 15 per cent. to 25 per cent. more than he had previously received from the dealers. "The publicity of the auction sales and prices caused a better distribution and a larger consumption than formerly and also reduced the price to the consumer." This is Mr. Dillon's opinion of the experiment.

The department also succeeded in raising the price which the farmer received for his apples and at the same time reduced what the consumer paid for them. In this experiment also the object was to eliminate the dealer. The department announced that on

market reports on the condition of the crop, \$2.75 to \$3 a barrel would be a fair price for apples of the best grade. This was the price, therefore, which the farmer asked. During the preceding year, when the crop was smaller and the export demand greater, the farmer had been receiving only \$1.50 and \$2 a barrel from the dealers. As a result of the experiment with apples the consumer bought his apples at one-third less than in the previous year despite the higher prices received by the producer. The department made an arrangement with several of the large retail chain stores by which they bought the apples daily at auction and agreed to sell them at a price not to exceed 20 per cent. advance. The press gave the whole matter much publicity, which resulted in a generally lower price for apples to the consumer.

When the department tried a similar experiment with hay it failed because the railroads would not permit it to make sales on railroad premises, a right which they freely accorded the private dealers. They would not even give any assurances as to the time of delivery of the hay, probably at the request of the dealers. Yet these same railroads, particularly the New York Central, have made strenuous efforts to develop the handling of California fruits to New York and equipped an auction-room on their premises on the mere prospect of getting this trade. There is, of course, greater profit in the

long haul than in the short haul for the railroads. And for reasons of their own the dealers as well as the railroads prefer long-distance shippers. At any rate, they get in their cars from Chicago, Kansas City, and other distant points to New York with the regularity of passenger-trains and often much quicker than from central New York State.

Such a public terminal would automatically end the power of the middlemen. The local dealer would buy directly from the farmer through the farmers' representative or at public auction. The price of all commodities dealt in would be fixed by private and public sales. These prices could be published in a bulletin printed for that purpose as is done in some cities. Actual sales would fix prices instead of fictitious quotations by the egg, butter, poultry, and other exchanges, which deal in futures or paper sales. It would be impossible to deal in futures or to establish a price months in advance for farm produce. For the farmer himself would be able to place his food in storage if he so desired. He could hold it for a month or for six months. So could the retail dealer. There would be no dealings in futures, for all the buyers and sellers would be in active competition all the year round, and the law of supply and demand would fix the basic prices as is done in all non-perishable commodities.

(3) A series of local markets, both enclosed and open, should supplement the central terminal mar-

kets. These markets should be well located. They should be owned and managed by the city. They, too, should contain cold-storage facilities or refrigerator space to be rented to stall-holders or retail merchants. The stall rentals should be on a basis sufficient to pay maintenance charges and cost of operation and no more. There should be public supervision of prices and requirements for their report and posting.

The success of local markets depends on location, on size, on the variety of produce offered for sale, on cleanliness and attractiveness and the creation of the marketing habit among the people. Local markets have existed all over Europe for centuries. Many cities in America operate markets, and the number is rapidly increasing. A survey of the municipal public markets of the United States by the State bureau of municipal information of New York in 1917 shows that forty-four out of fifty-six cities say their markets are a success; that they tend to keep down prices; that they bring producers and consumers together; and that through the creation of competition with retail dealers they insure better produce and render a real service to the community.

Only a few American cities have given the public market a chance. The Southern cities, especially Baltimore, Washington, Charleston, New Orleans, as well as Cleveland, have had markets for a long

period of time and have honestly endeavored to make them a success. And these cities have materially reduced prices. Retail dealers and real-estate interests have prevented markets being opened at all in many cities or have prevented them being built or operated in a manner to attract customers. The city of New York had permitted its markets to fall into disuse. Population had shifted away from them. During the early months of the European War the advance in prices led to the use of city-owned open spaces under the bridge approaches as open markets. Representatives of the city went out into the country and encouraged the farmers to make use of these spaces at a moderate rental. Four markets were opened for the sale of fruits, vegetables, meats, poultry, and other produce. Almost overnight these previously vacant places became teeming market-places for rich and poor alike, as many as 100,000 persons a day making use of them. Prices immediately fell, and buyers were able to save often as much as 33½ per cent. on their purchases. Prices were also reduced in the stores throughout the city, while the farmers, who had previously had a very precarious sale for their produce, now began to sell directly to the consumer as had been the practice a generation ago. But the real-estate owners and dealers organized a protest against the competition of the market, and, responding to this demand, the city authorities fixed an

almost prohibitive rental on the market spaces, which either destroyed the markets or discouraged their use.

Some years ago the municipality of Cleveland established an open market for the sale of fish by the fishermen of Lake Erie, who had been compelled to sell their catch to the fish trust which controlled the local market. Fish had been selling at from 15 to 20 cents a pound. The city fixed a price to the fishermen of 3 cents a pound, the price they had been receiving, and sold fish directly through a committee to dealers throughout the city at 5 cents a pound. As a result the trust met the city's price while fresh fish were obtainable instead of storage fish which had been under refrigeration for months.

Fish should be the cheapest of food on the seaboard cities. Yet the sale of fish is almost completely in the hands of combinations or trusts, which control the price paid the fishermen and the price as well as the quality of fish that the local dealer can buy. As a result, fish for which the fisherman receives 3 cents a pound at the wharves is sold a few blocks away at from 15 to 20 cents. Yet the city could easily end this monopoly by the opening of fish wharves to which the fishermen could bring their catch daily and sell at retail or at auction, as is done all over Europe where fish is the universal food of the poor.

The city of Baltimore, with its three big munic-

ipal markets, has reduced the price of a number of articles of food. On June 22, 1917, fresh eggs were selling there at 36 cents a dozen, as compared with 48 cents in New York City. Ham was 30 cents a pound, bacon 38 cents, and sirloin steak 25 to 32 cents. The reason why food is relatively so cheap in Baltimore is that the principal products come from within a hundred miles of the city. The markets are municipally owned and the rentals are reduced to a minimum, thus making it attractive for the farmer to come to town and sell. The highest price paid for a stall in the meat section is \$48 a year. Under the sheds the prices range from \$24 to \$36 per year, while street stalls cost only \$22 a year. Farmers who come in irregularly pay 25 cents a day. As compared with these rates, the price for market space in New York is \$1.50 per square foot, which is a prohibitive price for the farmer from the districts outside the city, while the stall-holders pay from \$1,500 to \$3,000 a year.

The superintendent of city markets in Baltimore says that most markets fail because the farmers have not been encouraged to come in and sell direct. The markets are frequently controlled by profit-making manipulators. The Baltimore markets are more than self-supporting, although no attempt is made to derive revenue from them for other than market purposes.

(4) The meat supply can never be controlled save

through local public abattoirs. Inasmuch as the Western ranges produce cattle for the entire country, the great packing establishments in Chicago, Kansas City, Omaha, Fort Worth, and elsewhere should be operated by the national government. Only by such ownership can the cattle-grower be shielded from the practices described in a previous chapter, and the consumer be protected from monopoly prices.

In addition slaughter-houses should be built and operated by individual cities all over the country. This would encourage the raising of cattle, hogs, and sheep by local farmers, an industry which has been killed by the railroads and the great packers of the West. This would be a good thing for both consumer and producer, while the diversification of farming would not only make agriculture more profitable, it would enrich the farm as well. Moreover, it is great waste to carry live cattle across the country to be killed and back across the country to be sold. This increases the cost; it insures a control of the industry by the packers and owners of the refrigerator-cars and forces the local butcher to comply with the terms of the meat trust, which drove the production of local beef out of the market a generation ago. The local butcher had to buy from the trust or be put out of business. If he refused, the trust opened a competitive store and compelled the local butcher to come to terms. Public

slaughtering, too, is sanitary. It insures meat that is free from disease and reduces the possibility of combination and price-fixing because it cuts out all operators save the farmer and the local butcher.

(5) The waste in the delivery of milk due to competing distributors which cover the same territory is one explanation of 3-cent milk to the farmer and 12-cent milk to the consumer. But even under the present wasteful methods of distribution it should not cost from three to four times as much to bring milk to the consumer as the farmer receives for producing it, and if it does, then the methods of distribution should be radically changed and the waste eliminated.

Two perfectly feasible plans have been suggested for cheapening the cost of milk. One is that the State or city provide receiving stations to which milk can be sent in bulk from the country. Here it would be received from the railroads and delivered by public authority or by licensed delivery agents to depots all over the city. Such depots could be opened in the groceries, butcher shops, drug-stores, and even in the schools, so that buyers could purchase milk in bottles from the depots instead of having it delivered.

The other suggestion is that the sale of milk should be taken over by the city entirely. The city could be divided into districts and, instead of a dozen milk wagons covering every street, a single delivery

would suffice. The delivery wagons could be owned and operated by the city, or the right to deliver could be granted to individuals under bond to the city that they would not charge more than a fixed price; and the license should be revoked if the agreement was violated or the milk was watered or otherwise depreciated. It is believed that milk could be sold, under such an agreement, at from 6 to 8 cents a quart instead of 10 or 12 cents, which is the prevailing price. Then the farmer would be assured a permanent market; he would be able to insist upon a fair price and would be protected in his dealings all along the line. Then it would be to the interest of the city to promote cattle-raising in the neighborhood, not only for dairy but for food purposes. The distributors could not play one section of the country against the other; they could not beat down the producer by bringing in milk from another territory and, after having developed the industry in one part of the country, play the producers against one another as was done during the milk strike of the farmers in New York State. When it is considered that the life of the babies of the city depends on milk, that it should be the commonest of food products, it needs no demonstration that the city should be as much concerned over its milk supply as it is over sanitation, cleanliness, or any other subject that affects the life and well-being of the people. But only by eliminating the middlemen

and opening up a direct connection between the producer and consumer can the present monopoly and high prices which prevail be broken down.

(6) This leaves only the means of transportation to be considered. And the railroads are the key to the whole food problem. For the railroads are the main link in the chain of distribution. And they are not run for service but for profit, and largest profits are to be made from unsocial methods of administration. This is the main reason why the transportation agencies cannot be left in private hands. Moreover, they are interlocked with so many other agencies and so many other monopolies that their operation by the government would automatically break the power of the warehousemen, packers, exchanges, and other parasites that live off the industry of the country and contribute little or nothing to it.

If the government is not willing to acquire and operate the railways, substantial freedom could be secured by the expansion of the parcel-post into a food-distributing agency as it is in all European countries. The government could acquire express-cars and refrigerator-cars and cars for package freight and have them hauled by the railroads just as are the express and fast-freight cars at present. The limits on the size and weight of parcels should be abolished and the post-office become a distributing agency for such commodities as are essential to

the life of the community. Individual farmers could ship directly to individual consumers or retailers. They could thus be assured of means of transportation and of delivery as well. Moreover, rates and charges should then be fixed by the government, as they are in the parcel-post, rather than by the carriers, who have it in their power not only to decide what freight shall be carried and what not, but also to fix arbitrarily the rates for carriage, which in many instances are so prohibitive as to kill the industry.

With an unlimited parcel-post, local gardening, the raising of poultry, eggs, butter, etc., and their direct shipment to market would become a possibility, as it was in the days when each farmer drove to the near-by town and sold his produce to his own customers. There is nothing extraordinary about such a proposal. The parcel-post is used all over Europe as a means of marketing directly and for cutting out of the middlemen.

The proposals herein suggested merely open up the distributing agencies. They offer a free means of circulation between the consumer and producer. They destroy all of the useless middlemen and make it impossible for them to live. They re-establish conditions that prevailed all over the country up to a generation ago. And the high cost of living only appeared with the coming of these agencies that should have reduced the cost of living and

been of great service to the producer as well. But instead of being a boon to society, the distributing agencies and warehouses have become a burden. But with the circulatory system free and unimpeded, with the highways under public control, with all of the terminals and warehouses operated for service rather than for profit, then conditions similar to those which prevail in the making and sale of watches and automobiles would be established and the law of supply and demand would operate on the production and distribution of food and establish a price at the cost of production as it does in all other industries and activities where free competition prevails. And this is the only alternative short of a socialization and government control of the whole subject.

CHAPTER XV

OTHER ITEMS IN THE FAMILY BUDGET

Food is but one item in the family budget, although it is the most important item so far as national vitality is concerned. Yet it is in food that economies must first be made. Rent must be paid to avoid eviction. The landlord is inexorable. Fuel must be had to keep from freezing. The worker and his family must be clothed, and the breadwinner must go and come from work by street-car no matter how little is left in the weekly pay envelope for food. So the worker reduces his rations. The investigations made in many cities show that the change for the worse in the dietary of the poor during these years of prosperity is of so serious a sort that the commonest necessities of a few years ago have become luxuries to millions of people. Meat is a rarity, and only the cheapest varieties can be purchased at all. Eggs at 50 cents a dozen are reserved for the sick, and milk at 12 cents a quart is doled out only to the babies, if obtainable at all. The high cost of food means a reduced diet all around.

The other items of first importance in every family budget are rent, fuel, clothing, and some pro-

vision for sickness. Rents are rising and rising rapidly. The increase in rents in New York during the spring of 1917 was on the basis of 10 per cent. all around. Now, increase in rents are primarily traceable to increasing land values, and year by year the land values of the city increase with population and industry. They are a social product. The annual increment to the value of land underlying New York City is in the neighborhood of \$150,000,000. The ground-rents of the average city amount to from \$150 to \$250 a family. The total ground-rent in the city of New York is approximately \$200,000,000. Year by year the tribute exacted by the ground-landlord increases, and year by year the standard of living of the people is reduced.

Ground-rents of every kind are passed on to the consumer. The great department store which pays a quarter of a million dollars ground-rent for a piece of land which a generation ago was used as a cow-pasture, passes the rental on to the buyer just as the tenement-owner passes it on to the tenant. And rent approximates about one-third of the average worker's income, of which from one-third to one-half goes to the landowner, who grows richer year by year by the increase of population and the growth of society.

Increasing land values levy tribute on the worker and the consumer at every turn. They grow while

he sleeps. The value of the land underlying a city is increased by every baby that is born. At a hearing before a committee of the Assembly of the State of New York during the winter of 1917, a representative of the real-estate interests of New York City protested against any tolerance being shown the advocates of birth control among the poor, and gave as his reasons for opposing a bill permitting the dissemination of information that every baby born in the metropolis added \$1,000 to the value of the land. The baby, rich or poor, was born into the world with a permanent mortgage on its efforts of \$50 a year, or five times that sum when he became the head of a normal family of five.

Other costs have gone up. Coal reached famine prices in almost every city in the country during the winter of 1916-17. It shot up from \$3 to \$6, and even \$12 a ton. The increase probably averaged from 50 to 100 per cent. all over the country. In the city of New York coal prices were almost prohibitive. Yet the anthracite coal-fields are but a few hours away, and despite the shortage of labor many coal companies reported that they had mined more coal than in the preceding year. All through the West the same was true. Prices were doubled and trebled. Factories closed down for lack of fuel. Cities were without coal. Yet the Middle West is underlaid with coal, and the miners who had received an increase in wages but a few

months before called for a second conference and demanded a further increase because they were unable to work more than two or three days a week. This was due to a general shortage of cars and the inability of many operators to secure any cars at all. The tribute of the coal barons is a tribute of land monopoly just as is the ground-rent of the city.

Railway transportation costs the nation nearly \$4,000,000,000 a year, or nearly \$200 for every family of five. This is a burden which the worker carries. It amounts on the average to one-quarter of the wage of the workers of the country. And transportation costs are ultimately paid by the consumer. They come out of the pay envelope of persons of small means. For the great bulk of the freight of the country is on staple articles of universal consumption.

The house in which the worker lives pays tribute to the lumber trust which owns or controls 105,000,000 acres of timber-land. The worker pays tribute to the steel trust for the apartment in which he lives. Food, fuel, rent, lumber, and lumber products; all kinds of clothing, shoes, almost every article of universal consumption has steadily increased in price during the past three years until the persons living on a fixed income, teachers, clerks, professional men, are far worse off than they were ten years ago, while the millions of men and women

working for a wage, and who have received even a substantial increase in incomes are relatively poorer than they were before.¹

Why is it that the gains in wealth creation, the marvellous inventions, the harnessing of power, the increase in labor productivity more rapid than in any previous age in history, should have passed by all but a small handful of persons? Why should a generation have so altered conditions that 2 per cent. of the people own 60 per cent. of the wealth of the country? Why should the advance in civilization mean such a terrible burden to the great bulk of our people when the wealth produced each year is greater than the accumulated wealth of the United States but thirty-five years ago? In 1916 we produced \$45,000,000,000 of wealth. That is \$450 a person, or \$2,250 for every family in the country. It is a sum adequate to raise a family in comfort even at the present high cost of the necessities of life. The explanation is not found in the increased cost of labor, for the total wages paid in the United States in 1916 amounted to but \$5,320,000,000, or 11 per cent. of the total wealth produced. And despite the increase in wages, the wealth produced per man has increased far more rapidly than the increase in wage. In fact, it is a commonplace

¹ As shown in Chapter III, wages have increased not more than 18 per cent. during the past two years, while the cost of living, based upon sixty articles of universal use, has gone up 85.82 per cent.

of experience that high wages usually mean low labor cost. Nor is the explanation to be found in the exhaustion of natural resources, or a demand far in excess of the supply. Some changes have taken place in our life during the past generation that intercept the gains which should have come to society from the marvellous discoveries, inventions, and increase in production.

The explanation is to be found in monopoly which has become all-pervasive. It has entered into almost every industry and controls almost every necessity of life. And an examination of the more important items in the family budget enumerated above shows that the control of the land and the natural resources of the nation is the most important monopoly of all. It involves food, fuel, lumber, building materials, iron, steel, copper. It involves the land underlying the city, the sites of our homes whether we own or rent them, whether in the city or the country. To-day the resources of America are under the control of a group of monopolies and trusts while the land is kept out of use by the prohibitive prices at which it is held.

Monopoly of natural resources and with it the denial of opportunity to work and monopoly of transportation are the primary causes of the increase in the cost of living, of the necessities and comforts of life. The monopoly of land, of fuel, timber, and other natural products can be reached by taxation.

These it will open up to use while the transportation monopoly can only be solved by public ownership and the substitution of the idea of service in this important agency for the idea of profits.

CHAPTER XVI

FREEDING THE HIGHWAYS OF THE NATION

I HAVE no doubt but that the wealth of the country would be increased by billions of dollars annually if the railroads were in public hands. The paralysis to our energies from the private ownership of the means of communication cannot be stated in figures. But just as the freeing of credit by the Federal Reserve Act released the productive power of the country, so the freeing of the transportation agencies would have the same effect. We do not know how many coal-mines remain unopened because there are no cars or facilities to transport the fuel; we do not know how much oil and timber would be produced, how many industries would be awakened, how many acres of land would come under cultivation if the country were assured of cheap, adequate, and equal transportation facilities.

No one knows the productive power of an individual or a nation. We have not begun to approach it in any country, least of all in the United States. And when it is considered that tens of thousands of automobiles have been driven on their own power

from Michigan to distant cities, when tens of thousands of miners are standing idle at the mouth of the mine, when whole industries are shut down for lack of fuel, and building projects are suspended because of the breakdown in transportation, we get some suggestion of the terrible waste from the failure, the inevitable failure, of private ownership of the transportation agencies of the nation.

These conditions cannot be corrected by the railroads. There are too many conflicting interests at work to permit of it being done. There are also so many other monopolies interrelated with the railroads that it is frequently to the interest of railway operators and directors to continue these abuses. They can only be ended by public ownership.

Moreover, the railroads hold the key to the high cost of living, of food, fuel, timber, and all of the necessities and comforts of life. For the railroads are interlocked with all of the monopolies which control these products and service. They are interlocked with the refrigerator-car companies, packers, warehousemen, coal-dealers, food exchanges, and cold-storage warehouses; with the coal-mines, the lumber, the iron, steel, oil, and other monopolies. The power of these monopolies would be materially reduced if the railroads were integrated into the life of the nation, and were free from the countless discriminations and abuses which now prevail. Food gambling and speculation would crumble to

the ground if the favoritism, the struggle for long-haul traffic, but most of all if the profits from interlocking industries were ended and the food and industrial wealth of the country were free to move unimpeded from producer to market.

There is a possible alternative to complete government ownership that avoids many of its alleged evils but secures many of its advantages. It offers a simple means of relief to some of the conditions referred to. And that is through the expansion of the parcel-post system into an express and fast-freight service. This involves an act of Congress or an executive order from the postmaster-general, enlarging the limits as to the size and weight of packages and the kind of freight that can be transported, and the extension of authority to the post-office to enter the transportation business.

This proposal could be quickly set in motion. It could be made operative in a few months' time. There exist in the United States a large number of private car companies and fast-freight lines which own about 225,000 cars. They maintain offices, solicit freight, and perform a vast freight business midway between the express companies and the railroads. They have haulage contracts with the railroads similar to those of the express companies. There are thousands of refrigerator-cars owned by the packing-houses, and flat-cars and coal-cars owned by private coal corporations.

Here is a ready-made agency, already working in harmony with the railroads and well known to shippers all over the country, that could be mobilized into a great transportation agency. The government could acquire these cars and merge them into a single company under the control of a transportation director with power to compel their haulage by the railroads, under arrangements similar to those which prevail with the express and fast-freight lines. No great administrative reorganization is involved in such a transfer. A central office in Washington like the Weather Bureau could collect reports as to the transportation needs of different sections and different industries. It could organize its car service as a "flying squadron" to meet these demands. It could use its cars as the refrigerator companies now use their cars, which are utilized to their capacity all the year round by being sent where refrigerator-car service is most urgently needed. It could run its cars on any railroad. It could decide whether the transportation of food, fuel, or other commodities was the most urgent. Quite as important, it could use the cars to their full working capacity. To-day a freight-car moves on an average only thirty miles in twenty-four hours, yet its potential service ought to be from seventy to a hundred miles a day. Undoubtedly the railroads could carry a very much greater tonnage, possibly double their present tonnage, if the motive power

and equipment were mobilized for most effective use, and for use where most needed to meet the nation's emergencies.

There would be great economy in the merging of all these fast-freight and express lines under government control; and a still greater economy in the utilization of cars to their full capacity. A central authority, thinking of all the needs of the nation, could determine what commodity should be moved and what not. It would send its "flying squadron" where most needed. Perishable commodities could be saved. Food shortage could be prevented. Fuel could be placed where it is needed and at rates that industry could stand. Cars could be run full both ways. Transportation could be speeded up. And freight rates could be adjusted on a basis suited to the service performed rather than to the arbitrary classification which now prevails.

The proposal would involve a relatively small expenditure, for cars can be constructed at a cost of less than \$1,000. It would involve little organization, for a single office force of any one of the fast-freight lines could handle all of the lines involved. Rates could be simplified. Instead of a million commodity rates a score would suffice. The rates paid to the railroads for haulage might be the same as those now paid by the fast-freight lines. They might be fixed on a car-mile or a ton-mile basis for haulage, irrespective of the contents of the car.

This would repay the railroads for service rendered, and they could not complain. Moreover, and this is important, it would enable the government to classify freight rates as it saw fit.

Thousands of offices could be closed. Possibly the Post Office Department need only increase its personnel and change the limits now imposed on the parcel-post; for the parcel-post in some countries in Europe will carry a ton of coal or a piano if the shipper desires. But the great gain would not be in these economies, colossal though they would probably be. The great advantage would be in the freeing the nation, in releasing the energies of the manufacturer and the farmer, in making it possible to increase the production of wealth and bring about its proper distribution unimpeded by the conflict which now results from hundreds of roads struggling for their share of the traffic, and for long-haul traffic irrespective of the requirements of the nation as a whole.

Such an experiment, too, would incite the railroads to do their best. It would automatically compel them to effect economies, to develop initiative, just as the building of municipal electric-lighting plants has compelled privately owned plants to reduce rates and improve service to meet the competition which the community offered.

The effect of government competition is seen by the effect of the parcel-post on the express companies.

It is carrying over 400,000,000 parcels a year, although it is less than four years old. It carries a 4-pound package at a profit, whereas the express service loses money on a 20-pound package. And it delivers these packages promptly and at a low cost. These 400,000,000 packages would probably not have been carried at all by the express companies, for their business has not been materially diminished in volume by the competition of the government. The parcel-post has created new business. It has increased the wealth produced and been of incalculable service to the producer and the consumer.

It is probably no exaggeration to say that the wealth of America could be increased materially, possibly by 10 or 20 per cent., if those who produced knew that they had at their command an impartial, prompt, and adequate means of transportation; while the people of America might have the cost of living reduced by a billion dollars a year by the ending of the exclusive private control of the transportation agencies of the nation. We dare not blink this situation. We are kept in ignorance of the actual conditions which prevail. Only the railroads know how bad it is. And they will not let the country know. But the blockade which now exists is only less of a menace to the success of the nation and the Allied cause than the submarine peril. For it not only affects our ability to supply

ourselves and our allies, but our ability to produce freely as well. The circulatory system of a nation must be kept open. And it can only be kept open by the government itself.

CHAPTER XVII

THE EMBARGO ON FARMING

Up to the present we have been discussing distribution, the conditions which prevail in the marketing of food, and the effect of the many monopolies which have forced themselves into this field on the cost of living as well as upon agriculture. From this point on we shall consider production; why there is not more food produced; why men do not go out to the land; why boys and girls drift to the city with no compensating drift back to the farm. This is, of course, the most important question. For the United States could feed itself and almost feed Europe if our opportunities were utilized as they should be, or as they are in some parts of Europe.

Many persons have come to the conclusion that the decay of agriculture is inevitable, that we cannot check the drift of people to the city, a drift that has been going on all over Europe as well. They say the city is so much more attractive than the country, it has so much more to offer that people will, of course, go to the towns. There are some, too, who feel that society really gains by the change that is going on. There can be little real life in isolated groups. The city is the civilizing agency,

and the world will advance more rapidly when the detached farm is gone and some new form of agricultural organization takes its place. And such persons believe that the solution of farming is through wholesale production and the organization of agriculture along modern industrial lines. The food we need should be produced by specialization, by gangs of men working as in great manufacturing plants, the farms being operated by large companies or under socialistic or semisocialistic organization. Under such an arrangement one farm would be devoted exclusively to dairying, another to the raising of poultry, another to truck-gardening, and the large estates of the West and South to wheat, cattle, cotton, tobacco, and large-scale plantation production. It has been estimated that with agriculture organized as is industry 20,000 men could feed 2,000,000 people, and that millions of farmers could be released to other lines of activity.

It is, of course, a very wasteful system under which men remain on the farm all the year round when their working period is only six or seven months. There is also a waste in the raising of diversified crops on each farm. It requires far more labor per unit of production than would be necessary for large-scale production. Moreover, under existing conditions the individual farmer is unable to own tractor ploughs, machines for planting and harvesting, the use of which labor-saving devices would be possible

if farming were organized as is industry on large units of land in which individual ownership were merged as it is in the trusts and corporations.

It is possible that some such organization will be the ultimate form of agriculture when individual property has given way to collective ownership. But such an organization is a long way off, and the working out of such large-scale farming will only come after efforts have been exhausted to redeem agriculture along lines with which we are familiar.

And before we abandon the old organization of agriculture, or condemn the farmer for leaving the land we should be satisfied that he is really leaving the farm from choice, and is not being driven from it by conditions that can be corrected. And there is evidence enough that men really want to be farmers, and that they will go to the land by millions if it is made reasonably easy and profitable for them to do so. But they must have some hope that they will be able to make as decent a living as they can in the city, and that they will not lose the results of their efforts through exploitation by the many predatory interests that surround the farmer and make agriculture the precarious industry that it is.

Even without such assurance millions of men remain in the country under what are almost intolerable economic conditions. There are 5,000,000 agricultural workers or farm-hands in the United States whose position is certainly far from attrac-

tive. They work long hours, they receive relatively low pay, they have few of the comforts and pleasures of the city.¹ There are also 2,354,676 tenant farmers, and the life they lead and the precarious returns they receive are not such as to lure men to farming or to retain boys and girls on the farm who have been reared in tenant families.

Men not only remain on the farm under the most difficult economic and social conditions, but three centuries of experience proves that the hunger for land is probably the most powerful economic motive known to man. It is as operative to-day as it was in the days of our grandfathers. In the years just before the European War several hundred thousand farmers moved from Iowa, Kansas, Nebraska, and the northwest into the undeveloped regions of western Canada. They were drawn by the free or the comparatively cheap land of a new country. And it is free land that has been the attraction that has peopled America from the beginning. It was this rather than religious or political liberty that lured the English, the Scotch, and the Irish, the Germans and the Scandinavians to this country from the first colonists in Massachusetts and Virginia down to the pioneers who filled in the Western prairies after the Civil War. Generation by generation the sons of settlers, the discontented

¹ See *Report of Commission on Industrial Relations*, vol. 1, p. 320, and vol. 10, pp. 9059 *et. seq.*

from the cities, and the immigrants from Europe moved westward on to the virgin lands awaiting their settlement.

No hardship was severe enough to halt the movement and no tales of suffering and privation deterred the colonists of the East or the immigrant from crossing the continent. The settlers suffered from cyclones and tornadoes. They lived through cropless years in dugouts and hastily constructed shacks. They suffered from drought. Their cattle perished. They had no companionship and few of the comforts of life. Their children had no educational opportunities; there was no means of communication and few visitors relieved the monotony of existence. Yet the lure of free land was stronger than any hardships. It filled in a continent. In a few years' time the great stretches from the Mississippi to the Rocky Mountains and the Pacific slope were divided into homesteads and peopled by the Anglo-Saxon race. Even the "Great American Desert" was not so desolate as to be able to defy the land hunger of the settler.

Such is the magnetic power of the land. It defies all obstacles. It lures, as does the quest for gold. It attracts the Anglo-Saxon, the Teuton, the Latin, and the Slav. The experience of America and Australia, the more recent experience of Canada, the peopling of the reclamation projects, even the settlement of human beings in the

Imperial Valley of California, where the heat is so terrible that women can live there only a portion of the year, proves the hunger of people for the land.

But the free land of the West is all gone. It has passed out of the hands of the government. No longer do the open prairies, unfenced and un-owned, keep down the price of land. No longer does a free homestead to be had for the asking free the would-be farmer from the necessity of being a farm-hand or a tenant on the land of another. The age-long movement of people toward the setting sun came to an end about the close of the last century when the remaining Indian reservations and Oklahoma were thrown open to the landless of the earth.

The enclosure of the public domain ended the first great era of American history. It marked the close of an era in the history of the world. For the enclosures of the free land ended the freedom of choice enjoyed by the city worker, it ended the freedom of choice of the would-be farmer, in a sense it ended the freedom of the western world. And when the free land was gone, all land began to have a monopoly price irrespective of its real value. It acquired a speculative value. No longer was land desirable only because of its greater fertility or nearness to the city. All land now had a scarcity value, a value due to the fact that all of

the land was privately owned. Then the price of land began to rise. It rose with great rapidity. A million incoming immigrants increased the demand, not only for land, but for food as well. And this increasing demand upon a limited supply affected all land values. It has been especially operative during the past few years. Fifty years ago land in Iowa, Illinois, Kansas, Nebraska, and the Dakotas was held at from \$3 to \$5 an acre. To-day it is held at from \$100 to \$300 an acre. In Texas it is the same. In California land which a generation ago could be had for the asking is held at from \$500 to \$1,000 an acre. The farming land in America is held at a higher price than it is in England. Only in such intensively cultivated countries as France, Holland, Belgium, and Denmark is the value of agricultural land equal to that in the central states of America.

Even in the East the price of land is prohibitive to the would-be farmer. Only by the most intensive application can he make enough to keep up payments and make a decent living. Frequently he loses his whole investment through failure to meet the charges against him.

This speculative price of land is one explanation of the decay of agriculture and the failure of farming to keep pace with our needs. The earth is closed against the would-be farmer. The man of average capital is unable to buy or to make a living

on the land at the price which he has to pay for it.

The rapidity with which land has increased in value in recent years is indicated by the census returns. In 1900 the farming land of the United States had a value of \$13,058,007,995. A decade later it was valued at \$28,475,674,169. In ten years' time farming land increased in value by \$15,417,666,174 or 118.1 per cent. The value of the land per acre increased 108.1 per cent. During this period the increase in farm acreage was but 4.8 per cent., and the number of persons engaged in agriculture but 11.2 per cent. The increase in the value of agricultural land was not the result of increasing acreage under cultivation, nor yet in the number of farmers. The increased value was a monopoly value, due to the enclosure of the free land, and the increasing pressure of population upon the soil. It is an "unearned increment," a social value due to the necessities of society and the increase of population.

The cheap land of our fathers has disappeared just as the free land of our grandfathers disappeared a generation earlier. And dear land places an embargo on farming. It explains the drift to the city. It drives the sons of farmers away from the country. They cannot buy land. It is held at a price beyond its economic value. And men are unwilling to become tenants or agricultural laborers

when they can make more money and enjoy greater comforts in the city.

This is one obstacle to agriculture. This is one explanation of why we do not produce more food. The earth is closed against labor.

Men in the mass are always trying to satisfy their needs along lines that are easiest. By something like telepathy they know of the avenues of effort that are most remunerative even when those opportunities are in far-away Alaska. And the end of the centuries-long movement to the land, which has been going on since the discovery of America, is not wholly due to the attractiveness of the city or its comforts and pleasures; it is due rather to the fact that the land is now closed against the worker by the speculative prices that act as an embargo against him.

CHAPTER XVIII

LAND FOR THE LANDLESS

Nor only is the would-be farmer excluded from the land by prohibitive prices, but hundreds of millions of acres are held in great estates, while over 400,000,000 acres of land enclosed in farms is not under cultivation at all. This is particularly true of the West and South where vast manorial domains of tens of thousands and even millions of acres are held by individuals and corporations. While food has almost reached famine prices to the poor, while millions of people are herded in tenements and about the great industries, while hundreds of thousands of farmers have migrated to Canada and nearly 40 per cent. of our 6,000,000 farmers are tenants, there exists in this country land enough, if converted into moderate-sized farms, to provide comfortable homes for at least 30,000,000 people.

And if the land were cultivated as it is in France, Denmark, Switzerland, and Belgium there is practically no limit to the millions who would find a free and adequate livelihood from the land. For the United States is peopled at but 30 persons to

the square mile, while in a number of countries in Europe, where the soil is no more fertile than it is here, ten times as many people live.

We are familiar with the feudal ownership of land in Europe and the great estates of the old aristocracy in Russia, England, Germany, and Austria-Hungary. Our indignation has been aroused over the rack-rented tenants of Ireland who, to the number of millions, were driven to America by the oppressions of English landlords. Great Britain is divided into great estates, owned by the aristocracy, from which the people have been driven into the cities, in which four-fifths of the population now dwell. Persons of Scotch descent in this country remember the stories of the enclosures of the land of Scotland by the aristocracy, of how the peasants were sent from the homes their ancestors had held for centuries, of how they had been driven almost into the sea, and how hundreds of thousands of them came to America to escape the oppressions of the landowning class. Yet, while we are familiar with these conditions in Europe, few people realize that a feudalism has come into existence in the United States similar to that which still prevails in a great part of Europe, a system which, up to the French Revolution, was the prevailing method of landownership in all of the European countries. Some American States, in fact, are more closely owned than are any of the nations of

Europe, with the possible exception of Russia. And the condition of the tenant farmer working upon the great plantations of Texas, Oklahoma, and many of the Southern States is but slightly better than the condition of the Irish tenants who were driven to this country in the hungry forties to escape starvation.¹

The most unfortunate page in our history is the story of the wastage of our public domain. It amounted originally to 1,850,000,000 acres. It cost us less than five cents an acre. The great bulk of this imperial domain lay to the west of the Mississippi. And it is out of this domain that the great feudal holdings of the West have been carved. From the largesses of the government in the form of subsidies to the railroads and for other internal improvements, 337,740,000 acres were taken. This is an empire equal to one-sixth of the total area of the United States. It is an area three times the size of France, with a population of 43,000,000 souls. A great part of this domain was given to the Pacific railroads. All told, between 129,000,000 and 150,000,000 acres were donated to the Northern Pacific, Atlantic Pacific, Union Pacific, Central Pacific, Kansas Pacific, and Southern Pacific railroads. This does not include 8,000,000 acres granted to the railways in the State of Texas. These land grants alone would have more than paid the cost

¹ See Chapter XX, "The Tenant Farmer."

of these railroads had the government undertaken their construction.

The grant to the Northern Pacific Railway is estimated to have been worth \$1,000,000,000. Had the land been sold directly to settlers at the prices later received by the railroad, five trans-continental railroads could have been built from the sale of the land alone. An exhaustive investigation of the grant to the Northern Pacific was made by a committee of Congress, which reported that the entire cost of the railroad had been paid for out of the land grants and that a surplus of \$41,281,000 remained to the company. The committee stated in its report to Congress:

"The undersigned supposed that all that could be asked of the government in the exercise of the most prodigal generosity would be a sufficient amount of lands to enable the company to construct its road without costing it a single dollar of its own money, and that either of the foregoing hypotheses shows a surplus of many millions more than are necessary for that purpose. It has occurred to them that it might be to the interest of the people of the United States generally to look after the surplus, whatever it may be."¹

Mr. Wilson, for many years commissioner of the land department of the Illinois Central Railroad, stated that if properly managed the Northern Pacific land would build the entire road connecting

¹ *Public Domain*, Donaldson, p. 889.

the then terminus of the Grand Trunk through to Puget Sound, fit out an entire fleet of sailing vessels and steamers for the China Sea, India, and coast trade, and leave a surplus that would roll up to millions. He deemed the probable value of the land grant \$990,000,000, its possible value \$1,320,000,000.¹

It is out of these railroad land grants that many of the bonanza farms of the West have been carved. They are to be found from Canada to Mexico and from the Missouri River to the Pacific Ocean. The Texas Land Syndicate No. 3 owns, or did own, 3,000,000 acres in Texas. Another British land company owned 300,000 acres in Kansas. The Duke of Sutherland owns hundreds of thousands and Sir Edward Reed controls 1,000,000 acres in Florida. Another English syndicate controls 2,000,000 acres in Mississippi. There are Dutch, British, and German syndicates whose estates exceed a million acres. Fifty-four individuals and syndicates own 26,710,000 acres, an area greater than seven of the more populous Eastern States with a population of 8,359,000 people.

Much of the land so acquired was obtained by fraud. False entries were made, and when the land was patented to the individual claimant it was immediately transferred to corporations and

¹ *The United States in Our Own Times*, E. Benjamin Andrews, p. 4.

individuals, dummy claimants being used for this purpose. The amount of these fraudulent enclosures will never be known. Some years ago there appeared in *Everybody's Magazine* an investigation of land monopoly upon the Pacific coast.¹ It recited the story of how a poor German butcher had landed in this country in 1850; of how he crossed the continent and began to acquire land. In a generation's time he and his partner secured possession of 14,539,000 acres of the richest land in California and Oregon. His holdings covered 22,500 square miles, an area three times as great as the State of New Jersey with its population of 1,500,000 souls. It is said that a man may travel upon a single estate in California from the northern to the southern boundary of the State without traversing any other property.

This same article tells how 100 men in the Sacramento Valley, California, came to own 17,000,000 acres; of ranches of twenty and even a hundred miles in extent; of individual estates twice the size of Belgium and bigger than all Switzerland, bigger even than the combined area of New Hampshire, Massachusetts, Connecticut, and Delaware. Other investigations have been made of the extent of the land monopoly and of the methods employed in acquiring these great estates. An exhaustive study, made by Mr. William R. Leighton, of Omaha,

¹ *Everybody's Magazine*, May, 1905.

Neb., was published in the *Boston Transcript*.¹ It states that more than 150,000,000 acres have been illegally or collusively appropriated from the public domains.

Official investigations have recently been made in California of the large land holdings in twenty-one counties in that State. The investigation did not include 5,000,000 acres owned by the Southern Pacific Railroad or the immensely valuable Spanish land grants in San Diego and Los Angeles Counties. In San Diego County there is the Santa Margarita grant of 240,000 acres and the Irvine holding of nearly 200,000 acres. The report showed that four men in Kern County owned nearly 1,500,000 acres. All told, 292 men owned 2,339,315 acres and 433 men owned 5,968,556 acres. This investigation only included holdings in excess of 2,000 acres; whereas, if estates in excess of 1,000 acres had been taken, the exhibit would have shown a far larger portion of the State to be in monopoly holdings.

The United States census gives some indication of the extent of these great estates and the land monopoly which prevails. From the census returns of 1900 it appears that of the 841,000,000 acres of land under cultivation 200,000,000 acres are in farms whose average size is 4,230 acres. These farms are owned by 47,276 persons. One-fourth of the total agricultural acreage of the United States

¹ Issues May 20 to July, 1905.

is owned by .0006 per cent. of the population. This area is considerably greater than the combined area of Germany and Great Britain, whose combined population is 110,000,000 souls. Yet here in free America one-fourth of the cultivated land is owned by a handful of persons, whose number is less than that of a good-sized suburb of an Eastern city.

Speaking of this situation, the Public Lands Commission appointed by President Roosevelt said:

"It is apparent that in very many localities and perhaps in general a larger proportion of the public land is passing into the hands of speculators than into those of actual settlers who are making homes. . . . Nearly everywhere the large landowner has succeeded in monopolizing the best tracts whether of timber or agricultural land. . . . The commission has had inquiries made as to how a number of estates selected haphazard have been acquired. Almost without exception collusion or evasion of the law and spirit of the law was involved."¹

But land monopoly is not confined to the West. It is found all over the South as well. Even in our Eastern States round about the great cities men of wealth are acquiring great estates for residential purposes. Here the land is being diverted from the production of wealth, badly needed in the near-by cities, into pleasure estates.

The reports from the land-settlement colonies in Europe show that a man can support himself in

¹ Senate Document No. 154, 58th Congress, Third Session, p. 14.

comfort on a farm of 40 or 50 acres. In little Denmark the majority of the farmers, who as a class are the most prosperous in the world, live in comfort on farms of less than 20 acres. If the 200,000,000 acres held by a handful of persons were divided into 50-acre tracts they would provide farms for 4,000,000 farmers or 20,000,000 people.

That which is true of agricultural and grazing land is true of timber-land as well. An investigation by the Bureau of Corporations of the Department of Commerce in 1914 reports that "1,694 timber-owners hold in fee over one-twentieth of the land area of the entire United States from the Canadian to the Mexican border. These 1,694 holders own 105,600,000 acres. This is an area four-fifths the size of France, or greater than the entire State of California, or more than two and one-half times the land area of the six New England States. Sixteen holders own 47,800,000 acres, or nearly ten times the land area of New Jersey. Three land-grant railroads own enough to give 15 acres to every male of voting age in the nine Western States where almost all their holdings lie. In the upper peninsula of Michigan 45 per cent. of the land is held, mostly in fee, by 32 timber-owners. In Florida 52 holders (mostly timber-owners) hold one-third of the land in the entire State."¹

¹ *Report Bureau of Corporations* on "The Lumber Industry," parts II and III, p. xviii.

The report shows that these holdings are interlocked in such a way that they form substantially a single holding. It states further: "The Southern Pacific has 4,318,000 acres in northern California and western Oregon and, with the Union Pacific, which controls it, millions of acres elsewhere. The Northern Pacific owns 3,017,000 acres of timberland and millions more of non-timbered land. The Weyerhäuser Timber Company owns 1,945,000 acres. In Florida, three holders have 4,200,000 acres and the 182 largest timber-holders have over 16,990,000 acres, nearly one-half the land area of the State. In the whole investigation area the 1,802 largest holdings of timber involve 79,092,000 acres of timberland, and in addition some of these holders own 10,652,000 acres lying in timbered parts but not now bearing merchantable timber. Finally, to timber concentration and to land concentration is added, in our most important timber section, a closely connected railroad domination. The formidable possibilities of this combination in the Pacific Northwest and elsewhere are of the gravest public importance. In the last forty years concentration has so proceeded that 195 holders, many interrelated, now have practically one-half of the privately owned timber in the investigation area (which contains 80 per cent. of the whole). This formidable process of concentration in timber and in land certainly involves grave future pos-

sibilities of impregnable monopolistic conditions whose far-reaching consequences to society it is now difficult to anticipate fully or to overestimate."¹

So closely interrelated are these colossal holdings that of about 80 per cent. of the privately owned timber of the country three holders have 14 per cent., 90 persons have two-fifths, and 195 have nearly one-half. In other words, at least one-half of the standing timber in the United States is owned by less than 200 holders; and these 200 again are either interlocked corporations or individuals acting in all essentials as a unit. They fix and control the output and the prices of timber and lumber and in so doing the price of furniture, building materials, and all the thousands of industries that are dependent upon timber and timber products.

Here is another economic phenomenon for the most part overlooked by the government, by economists, and by agencies which are urging consideration of the food problem. Here are hundreds of millions of acres of land arbitrarily held out of use by their owners, lands, too, obtained in large part by fraud and collusion, which are now being used not for the production of wealth but to exclude hungry humanity from the land. That these lands would be tilled if men had an opportunity to till them is indicated by the eager rush of settlers whenever

¹ *Idem*, "The Lumber Industry," part I, pp. xxii and xxiii.

an Indian reservation is opened up to use; it is indicated by the fact that hundreds of thousands of men are working on these estates as agricultural workers or as tenants. There is no shortage of land in America and no unwillingness on the part of men to go to the land. We ourselves have created the conditions which confront us, conditions which we must now take steps to correct.

CHAPTER XIX

EXPLOITING THE WOULD-BE FARMER

GROWING out of the conditions described in the preceding chapters is a more or less organized system of exploitation or fraud in the sale of land. It is going on all over the country, especially in the West and Southwest. Persons of foreign birth who have accumulated some savings are probably the worst sufferers, partly from their ignorance and partly from their desire to acquire a piece of land they can call their own. The reclamation projects constructed by the Federal Government at great expense in the West, estates which are being broken up and placed upon the market are advertised over the country. The wonderful fertility of the land is portrayed in glowing colors, while easy terms of payment are held out as an inducement to the weary worker to lure him to what in many cases involves a loss of his investment. But the practice is not confined to the West and South. The selling of land at speculative prices on onerous terms and under conditions which involves almost inevitable failure is a common practice all over the country.¹

¹ As Commissioner of Immigration many requests have come to me to direct immigrants to land colonies. I have had conferences with representatives of many of the projects, for it has been my belief that the immigration problem was a land problem; that if

The man who wants to buy a farm has no means of reliable information. He knows nothing of the condition of the soil, of the facilities for marketing, of the kinds of crops to be planted. He is compelled to canvass a wide territory. If he buys at a distance he must depend on the statements of a land agent. There is no such thing as a nation-wide clearing-house or bureau of information to which the would-be farmer can go for information on which he can rely.

Thousands of persons are being exploited or at least led into ventures in which they lose all of their accumulated savings every year. They are the victims of more or less unscrupulous promoters and corporations organized for the purpose.

A thorough investigation of the experiences by would-be farmers has been made by the Land-Colony Commission of California. It sent out investigators to secure statements of men who had purchased small holdings and who, in large numbers, had been defrauded by individuals and corporations operating as alleged development companies. The experiences

some means could be found to get the immigrant to the land on easy terms he would quickly absorb our institutions and become a permanent asset to the country. But all of the projects presented were open to suspicion and many of them were thoroughly dishonest. There was little chance of the immigrant making good, and in most cases the land was to be sold at a highly inflated price. Usually there were no advantages in the neighborhood, there was no means of marketing, no schools, and a five-to-one chance that even if the land did produce a living it could not be disposed of. Hundreds of such projects are to be found throughout the Western States. They are speculative enterprises pure and simple.

of these land-hungry people, most of whom had spent a great part of their life in the slow and laborious accumulation of a little money with which to buy a home in the country, are pathetic in the extreme.

One of the reports was from a colony of Russians. They had accumulated \$150,000 for the purchase of a large tract of land. This represented the savings of years. A land company in California induced them to invest their capital in a tract of land which was represented to be very fertile. The first year the colonists obtained but a scanty crop. But they persevered. The second year the crop was no better. Finally they sent to the State university for an expert who, after investigating the land, reported that it was practically worthless. It was unsuited to agriculture.

Reports of hundreds of other cases have been gathered by the commission. Here is the story of an Italian. His age was forty. He had worked as a farm-hand in Nevada. He saved enough money to buy 30 acres of land, for which he paid from \$100 to \$110 an acre. The first year the total value of his crop was \$150. The second year it was \$200. The third year it was \$165. He was unable to make a living. The land was worthless. It had been unloaded on him by one of the many dishonest land-speculation companies which flourish in the State. Describing his experience in a report

to the commission, he said: "The soil is poor hardpan. I sunk in the place more than \$5,000. I could hardly make a living. The land does not produce enough. If I had kept the money in the bank at 4 per cent. interest I would have more now, not figuring my labor."

A second settler was a miner. He had a wife and three children. He bought 10 acres of land at \$100 an acre. In addition he spent \$750 on improvements. The first year the total value of his crop was \$90, the second year \$130, and the third year \$57. In addition he had a cow, two hogs, and some poultry from which he derived a few dollars more. He says that the land he bought is worthless for small farming.

Another settler worked in a logging-camp. He bought 20 acres of land at \$100 an acre. This he had to improve at an expense of \$435. He put his savings into farm implements, a cow, and some other live stock. The first year he realized \$150 from the farm and \$15 from his poultry. "The land produces nothing," he says. "Will work outside and pay up in one or two years. I have paid \$1,500 for the land, which does not produce enough to pay expenses. I now have no money to put in a crop. I was told that the land would produce a volunteer crop the first year, enough for a living and to meet the payments. But the crop hardly paid the cost of harvesting. Ten acres out of the 20 are worth-

less except for pasture. The second year I had no money to put in a crop at all."

This sort of exploitation is organized as a business. Agents of steamship-lines, alleged immigrant banks which have the confidence of the foreign population, circularize and urge the ignorant foreigners to buy land frequently far from their place of residence. The desire to escape from tenancy, the ambition to leave something to their children, the hope of becoming a home-owner leads men to listen too credulously to the dishonest advertisements and statements of land agents and land corporations which have acquired great stretches of land at a low price which they seek to unload upon unsuspecting buyers.

There are no laws for the protection of the would-be farmer from this sort of exploitation. And there are no agencies to which he can go and be guided in his purchase. He buys land at a high price. He is induced to pay down as large a sum as can be squeezed from him. He then has insufficient capital to equip the farm. He is without credit or is forced to pay usurious interest. His annual payments or interest charges use up his surplus income. A bad season or inability to market his crops leaves him a prey to money-lenders. In a year or two he becomes discouraged and throws up his hands when, if he had been aided in his efforts, he would have possibly made a good farmer.

The experience of one man is immediately known to others. The misfortune of one alien is known to the whole colony. The exploitation of a single immigrant deters hundreds from venturing into the country no matter what their hunger for land may be.

This is a subject that should receive immediate congressional action. There is evidence that hundreds of thousands, possibly millions, of foreigners are planning to return to Europe when the war is over. They are going back to Italy, Hungary, Poland, Bohemia, and Russia. They will leave the mines, the munitions factories, and the cities and take with them the savings accumulated during this period of prosperity. Many will undoubtedly return—although the great majority of them plan to remain. And many of them are leaving America because they desire to acquire a farm and believe that land will be cheap in Europe after the war. Many of these aliens, possibly the majority, were farmers in their old homes. Many of them would acquire farms in this country if land could be secured at a reasonable price and colonies could be organized in which persons of the same nationality could live together. For that is the kind of farm life they have been accustomed to at home. But only the government can promote such a project. Only the government can organize colonies, insure protection, cheap credit, and provide marketing

facilities, all of which are essential to the new agricultural programme. This subject will be discussed in a later chapter.¹

¹ See Chapter XXIII, "A New Agricultural Programme."

CHAPTER XX

THE TENANT FARMER

IF one would know the reasons for the decadence of farming in the United States he should read the testimony of tenant farmers and farm-laborers gathered by the Industrial Relations Commission.¹ And the conditions disclosed in the Western States where the inquiry was made are the same as would have been discovered had the inquiry been made in the Southern or Eastern States. For farm tenancy is fast becoming a rule in the United States despite the almost limitless resources of the country. So long as the public domain was open to settlement men would not work as tenants or as agricultural laborers. They took up a homestead of their own. And this is always the instinct of men. They prefer to work for themselves rather than for another. It was this motive that lured immigration to the United States from the very beginning. It was this that filled up the continent by settlers who generation after generation moved westward to the Pacific Ocean. But when all the land had been taken up, when it began to acquire a speculative value, then tenancy appeared. And year by year the number of tenants has increased until in some sec-

¹ *Report of Commission on Industrial Relations*, vols. 1 and 10.

tions home-owning farmers are almost the exception. As early as 1880, 25.6 per cent. of all farms in the country were operated by others than owners. In 1890 the percentage had increased to 28.4 per cent. By that time most of the land had been taken up. And during the next ten years farm tenancy jumped to 35.3 per cent. By 1910 it had reached 37 per cent. In that year out of a total of 6,361,000 farms 2,354,676 were operated by tenants. Tenancy increased 16.3 per cent. during the previous ten years and farm ownership only 8.1 per cent.

It is impossible to have a healthy agriculture under the tenant system. Tenancy is destructive of good farming. It discourages initiative. It leads to shiftlessness. There is no incentive to the tenant to be a good farmer. At the end of the term, usually one year, all of the improvements made by the tenant pass to the owner. The tenant may take away the crops but nothing more. As a consequence, the tenant does nothing to improve or enrich the land. He refuses to make repairs. He selects such crops as will give an immediate return with the least possible labor. He permits the buildings and improvements to go to decay. He exhausts the land by failing to fertilize it. In time he abandons the property because it is no longer profitable.

Tenancy leads to indifferent cultivation. There

is no stimulus to efficiency. The tenant is careless. He has to pay what the landlord demands or what some other applicant will pay for the holding. If the tenant increases the fertility of the land it is made an excuse for an increase in rent. If he is thrifty and industrious, if he makes the farm more productive, if he drains and irrigates, the advantage all accrues to the owner or to some other tenant who will pay an increased rent for the property because of his exertions.

In this country the tenant has no security whatever. He may be evicted at the end of the year. Competitive tenancy such as everywhere exists in America is destructive of farming. It leads to rapid deterioration of the farm.

The Commission on Industrial Relations found that tenancy in the Southwestern States is already the prevailing method of cultivation and that it is increasing at a very rapid rate. In Texas the number of tenant farmers in 1910 was 219,571. They operated 53 per cent. of the farms in the State. In Oklahoma and other Southern States the conditions are much the same.

Speaking of the effect of tenancy on the tenant and the low standard of life which prevails among the tenant farmers, the commission states:¹

“Under this (the tenant) system tenants as a class earn only a bare living through the work of

¹ *Report of Commission on Industrial Relations*, vol. 1.

themselves and their entire families. Few of the tenants ever succeed in laying by a surplus. On the contrary, their experiences are so discouraging that they move from one farm to the next in the constant hope of being able to better their condition. Without the labor of the entire family the tenant farmer is helpless. As a result, not only is his wife prematurely broken down but the children remain uneducated and without the hope of any condition better than that of their parents. The tenants having no interest in the results beyond the crops of a single year, the soil is being rapidly exhausted and the conditions, therefore, tend to become steadily worse. Even at present a very large proportion of the tenants' families are insufficiently clothed, badly housed, and underfed. Practically all of the white tenants are native-born. As a result of these conditions, however, they are deteriorating rapidly, each generation being less efficient and more hopeless than the one preceding.

"A very large proportion of the tenants are hopelessly in debt and are charged exorbitant rates of interest. Over 95 per cent. of the tenants borrow from some source and about 75 per cent. borrow regularly year after year. The average interest rate on all farm loans is 10 per cent., while small tenants in Texas pay 15 per cent. or more. In Oklahoma the conditions are even worse in spite of the enactment of laws against usury.¹ Furthermore, over 80 per cent. of the tenants are regularly in debt to the stores from which they secure their supplies and pay exorbitantly for this credit. The average rate of interest on store credit is conservatively put at 20 per cent., and in many cases ranges as high as 60 per cent.

¹ See Chapter XXII, "The Farmer and the Banker."

"The leases are largely in the form of oral contracts which run for only one year and which make no provision for compensation to the tenant for any improvements which may be made upon the property. As a result, tenants are restrained from making improvements, and in many cases do not properly provide for the up-keep of the property.

"Furthermore, the tenants are in some instances the victims of oppression on the part of landlords. This oppression takes the form of dictation of character and amount of crops, eviction without due notice, and discrimination because of personal and political convictions. The existing law provides no recourse against such abuses.

"As a result both of the evils inherent in the tenant system and of the occasional oppression by landlords, a state of acute unrest is developing among the tenants, and there are clear indications of the beginning of organized resistance which may result in civil disturbances of a serious character.

"The situation is being accentuated by the increasing tendency of the landlords to move to the towns and cities, relieving themselves not only from all productive labor but from direct responsibility for the conditions which develop. Furthermore, as a result of the increasing expenses incident to urban life there is a marked tendency to demand from the tenant a greater share of the products of his labor.

"The responsibility for the existing conditions rests not upon the landlords but upon the system itself. The principal causes are to be found in the system of short leases, the system of private credit at exorbitant rates, the lack of a proper system of marketing, the absence of educational facilities,

and last but not least the prevalence of land speculation.

"A new factor is being introduced into the agricultural situation through the development of huge estates owned by corporations and operated by salaried managers upon a purely industrial system. The labor conditions on such estates are subject to grave criticism. The wages are extremely low, 80 cents per day being the prevailing rate on one large estate which was thoroughly investigated; arbitrary deductions from wages are made for various purposes; and a considerable part of the wages themselves are paid in the form of coupons, which are in all essential particulars the same as the "scrip" which has been the source of such great abuse. Furthermore, the communities existing on these large estates are subject to the complete control of the landowning corporation, which may regulate the lives of citizens to almost any extent. There is an apparent tendency toward the increase of these large estates, and the greatest abuses may be expected if they are allowed to develop unchecked."

Tenancy is another explanation of the condition of agriculture in the United States. And students of the subject, from John Stuart Mill down to date, have condemned tenancy as a curse to a state. It is a curse not only to the tenant but to the nation as well. It is destructive of self-respect and independence. It leads to ignorance, to improvidence, to the decay of agriculture. Every nation in Europe that has tolerated tenancy has had to pay the price of it, whether it be in Ireland, England, and

Scotland or in Prussia, Russia, Austria-Hungary, or Belgium. The political and social condition of the people, the reaction and the class rule, the ignorance and the poverty, the decadence of the peasantry are inevitable consequences of attempting to build a state on a system of farm tenancy, which is but the modern equivalent for the old feudal relationship of master and serf. Many of the countries of Europe have realized the results of the system, notably Denmark, France, and Great Britain in Ireland. Systems of state aid to tenants who would be owners have been worked out while security for improvements and fixity of tenure have been insured by law. America almost alone among the nations has left the tenant to shift for himself unprotected by the state in any way.

CHAPTER XXI

OPENING UP THE LAND TO AGRICULTURE

AGRICULTURE waits on a constructive policy. Not of education but of economic change. And the lion in the pathway of the production of food and the distribution of people from the city is land monopoly, the holding of land out of use and the indifferent utilization of much of the land that is under cultivation. This is the great obstacle to farming.

How can this obstacle be overcome? How can idle landholding be ended? How can we limit the amount of land a man may own to that which he actually needs and cultivates? How can we break up the 200,000,000 acres held in great estates and throw open to use the 400,000,000 acres enclosed in farms but not cultivated by the owners? How can the would-be farmer be placed on the land and a system of ownership be substituted for tenancy? There is land enough for millions of workers and homes for tens of millions of people in this rich country of ours if means were devised for bringing the landless man and the manless land together.

These are problems of practical statesmanship. They are no more difficult than the problems al-

ready worked out by the Federal Reserve Banking act, the farm loan board, and the many constructive measures of Congress for the promotion of industry and shipping.

The solution should make it as easy as possible for any one to go to the land who desires to do so. We should recognize that it is natural that some men who find the farm uncongenial will want to go to the city and that men in the city will want to live in the country. And it should be easy for such a shift to be made. It should be easy to become a farmer, almost as easy as to become an artisan. That should be the aim of legislation. There should be the greatest possible freedom of movement, of choice. It ought to be possible for one generation to live in the country and the next generation to try the city. It ought to be possible for the misfit worker to become a farmer and the misfit farmer to become an artisan. We cannot organize the American people into industrial castes as is the case in Europe. And we ought not to try to do so. Rather there should be opportunity for change. Men should have as wide a choice as possible. Not the choice of becoming a tenant or a farm-laborer but a farm-owner.

Of all the measures proposed for the solution of these problems the taxation of land values is the simplest and most effective. It will do more than all other measures combined to create that fluidity of

movement from the city to the country and from the country to the city that should be the principle of industrial efficiency and of industrial democracy as well. The immediate effect of increasing the taxes on land would be to check speculation. And speculation is the real reason why men want more land than they can use. They are holding it against the needs of society. This is not only true of farming land, it is true of city land as well. This is why one-half of the land enclosed in farms is not under cultivation; this is why the West and South, aside from the plantations and ranges that are economically dedicated to large-scale production, are divided into great manorial holdings like those of feudal Europe.

This reform, known generally as the single tax, is comparatively easy to inaugurate. It can be put into effect by the legislature of any State or by a county where home rule in taxation exists, by an act which exempts from local taxation all houses, barns, improvements, growing crops, machinery, and personal property of every nature and description. By merely exempting these kinds of property from taxation all taxes will automatically fall upon the land. No other taxes will be levied. As a result the taxes on land will be automatically increased. And if the tax is heavy enough it will discourage the holding of land for any other purpose than production. Such a change would not

materially burden the speculator, it is true, if the tax rate were inconsiderable. But if the tax upon the land was increased to 2 per cent. on the actual value it would become such a burden that the owner would seek some means of escape from it. A tax rate of 2 per cent. on land valued at \$100 an acre would amount to \$2 per acre. On a 10,000-acre farm the taxes would amount to \$20,000. On a 100,000-acre farm they would amount to \$200,000 a year. Quite obviously men would be driven either to sell their land or put it to productive use under such a tax. They would either cultivate it themselves or dispose of it to would-be farmers. They would cut their estates up into small holdings; they would accept easy terms of payment; they would offer generous terms to tenants; they would pay higher wages to farm-laborers.

About our cities, even in the Eastern States, millions of acres of land are being held idly, indifferently, and by inertia just because it costs little to so hold them. The owner hopes that some day he will be able to realize a profit. And a slight increase in the taxes on land would bring much land onto the market while a very small tax upon the great ranges of the West, on the plantations of the South, on the million-acre estates of Texas, California, Oregon, and Washington would lead to their being broken up for settlers.

And if the tax upon the land were made suffi-

ciently heavy men would take only such land as they actually needed or as they actually worked, whether it was ten acres or a hundred acres. They would pay an annual tax to the State, not unlike the rental now paid the landlord. But they would then be free from all other taxes, and in addition the great quantities of land brought onto the market would materially cheapen the rental of all land. For as taxes on land are increased the price of the land diminishes. If the tax amounted to 5 or 6 per cent. on the selling value land would have very little value. For such a tax would make speculation impossible and the holding of land idle so costly to the owner that he would give it up.

And the taxation of all land values up to the full amount of the rental value is the aim of those who believe in the single-tax philosophy. They would tax land heavily as a means not only of freeing the land but of freeing man as well. This would end tenancy; it would end all land speculation; it would end land monopoly forever. For then men would hold no more land than they actually used, and as land would exist in abundance for all it would be impossible for owners to hold men either as tenants or as agricultural workers. Men would own their own farms and work for themselves. And that is the ideal of a democratic agriculture.

Moreover, the untaxing of all kinds of farm improvements would encourage men to build, to make

their places more attractive. Just as many cities seek to encourage factories in their midst by exempting them from taxation, so the exemption of all kinds of farm improvements will lead to better farms. This is one way to improve the farm and a very easy way. For it is automatic in its operation.

It is rather remarkable that the countries that have gone furthest in the untaxing of improvements and the taxation of land values are agricultural states. During the ten years just before the war the provinces and cities of western Canada had made many experiments along these lines. Such cities as Vancouver, Edmonton, Calgary, Prince Rupert, in fact, almost all of the cities west of Manitoba, have taken taxes off houses and improvements while the country districts have levied taxes on unimproved and wild land to end the speculation which prevailed. Very remarkable changes followed the shifting of taxes to the land. Land became cheaper as speculation was discouraged. Home-ownership increased. Men built homes. The towns expanded over a wider area. Free from the fear of taxes, men made improvements on their property.

Influenced partly by the experience of Canada the Farmers' Non-Partisan League of North Dakota inserted in its platform in 1916 a declaration for the exemption of farm improvements from taxation.

They, too, desired to end the alien and speculative ownership of land which was retarding the growth of the State. And one of the measures passed by the farmers' majority at the session of 1917 was an act materially reducing the taxes on improvements and with it a permissive measure permitting cities to do as they pleased in the matter of exemptions. In 1916 the people of California voted at a referendum election to collect *all* taxes for State and city purposes from a single tax on land. Everything else was eliminated from the tax system of the State. And the measure received 250,000 votes. In 1909 Lloyd George carried through his budgetary proposals in Great Britain which provided for a greatly increased tax on land values, although this measure was confined for the most part to city land. In Germany Adolph Wagner, the great financial expert, has been urging the taxation of land values, and over three hundred cities have adopted what is in effect a heavy tax on land values, although the German land taxes are in the nature of a tax on the "unearned increment" or speculative increase in land values rather than a tax on the capital value of the land which is here proposed. Most of the provinces and cities of Australia have adopted the measure in part as shown in a previous chapter. And the reports from Australia indicate that it has checked speculation, led to the breaking up of the great landholdings, and aided the communities in

carrying through the farm-colony programme which has been greatly extended in these countries.

When the war is over it seems probable that all of the warring countries in Europe, as well as Canada and Australia, will be forced by necessity to resort to the taxation of land, not only as a fiscal measure but as a means of rehabilitating the state and of finding homes for the returning soldiers.

Not only will the taxation of land values end speculation and break up land monopoly, it will automatically determine the size of farms. In some localities where truck-farming is the rule farms will be small. They may be of not more than 10 or 20 acres. In other sections there will be farms of from 40 to 50 acres that can be cultivated by a single man, while in the grazing States of the West the land will be divided into cattle-ranges much as it is to-day. For men will take only such land as they can profitably use. The taxes will not be adjusted to the amount of land. They will be adjusted to the value of the land. Taxes will be low on land of little value. They will be high on land about the city or of high fertility. The basis of the tax is the value, not the amount, of land. And the value of land is always determined by its location, its fertility, its value to society.

Under the proposal men would only pay for what society gives them. They will pay for advantages enjoyed in location, in the inherent value of the

land, in the values, in fact, which society itself has created. On the other hand, everything that labor produced would be free. It would be untaxed by the city or the State.

The freeing of the land from speculation will also bring about that condition of fluidity of labor referred to earlier in this chapter. Men will be able to leave the city who are weary of city life with something of the ease with which they now leave the farm. The man with a few hundred dollars can then have a fling at farming with but little risk. And with cheap land working in co-operation with cheap credit supplied by the farm-loan boards the chief obstacles to the tenant, the agricultural worker, and city dweller will be removed and men will be able to pass to the land almost as easily as the country-bred boy now passes to the mill or the factory. Then society will have a wonderful fluidity. Men will no longer live in fear. They can go to the land if they choose to do so. They can look forward to old age with courage and equanimity.

Under such conditions, too, the farm would soon lose its isolation. Farm colonies such as are being developed in many countries would be the natural form of organization. Men would live close together from choice, as they do in the farming villages that are found all over Europe. For the isolated farm is traceable to the fact that men are always seeking to get as much land as possible.

of experience that high wages usually mean low labor cost. Nor is the explanation to be found in the exhaustion of natural resources, or a demand far in excess of the supply. Some changes have taken place in our life during the past generation that intercept the gains which should have come to society from the marvellous discoveries, inventions, and increase in production.

The explanation is to be found in monopoly which has become all-pervasive. It has entered into almost every industry and controls almost every necessity of life. And an examination of the more important items in the family budget enumerated above shows that the control of the land and the natural resources of the nation is the most important monopoly of all. It involves food, fuel, lumber, building materials, iron, steel, copper. It involves the land underlying the city, the sites of our homes whether we own or rent them, whether in the city or the country. To-day the resources of America are under the control of a group of monopolies and trusts while the land is kept out of use by the prohibitive prices at which it is held.

Monopoly of natural resources and with it the denial of opportunity to work and monopoly of transportation are the primary causes of the increase in the cost of living, of the necessities and comforts of life. The monopoly of land, of fuel, timber, and other natural products can be reached by taxation.

These it will open up to use while the transportation monopoly can only be solved by public ownership and the substitution of the idea of service in this important agency for the idea of profits.

mands of the tax-gatherer. And when it is considered that a great part of these colossal holdings were obtained by fraud, fraud so universally admitted that it is not even denied in the West, the justice of such a retaking of a portion of the nation's resources should not be open to question. The Standard Oil Company holds great stretches of land under lease which it does not develop. The coal corporations and railroads have immense holdings of coal land that they hold out of use as a means of keeping up the price of that which is produced. If these hoardings were taxed at their capital value, at the value for which they have been capitalized by their owners, they would have to be developed or be sold to some one who would develop them.

Lower rents would follow more houses. And more houses would follow the ending of land speculation. There would be more coal and timber produced if those who owned these resources had to develop them to pay the taxes. And the high cost of living is not a problem of food alone. It is a problem of better homes, of more comforts, of a higher standard of living as well. And far more important than the freeing of the means of distribution from monopoly control is the creation of such conditions of economic freedom that the wealth in the land will be opened up to man and the resources now held out of use will be released to labor.

What society really wants is more wealth and a more equitably distributed wealth. We want more food, more houses, more clothes, more fuel, more of the comforts and necessities of life. And the aim of society should be to increase the production of these things and then see that those who produce them receive the full result of their labor. These should be the first and most important aims of government. Possibly if these two functions were properly performed there would be but little need for jails, for prisons, for institutions of all kinds. Possibly the improvement in the condition of the people would be so marked that the evil conditions under which so large a portion of the people live would pass away and a new kind of society would come into existence born of the absence of poverty, of ignorance, of fear.

And the opening up of the resources of America to use would increase the wealth produced as would no other change in our economic life. For if the land and the mineral resources, the timber-land, and the sites for homes in the cities and suburbs were freed from the dead hand of idle ownership there would be a marvellous increase in the wealth produced and an even more marvellous change in its distribution. What we most need is a new freedom in agriculture, in industry, in labor. And that will come when means are applied for the ending of the monopoly which now prevails.

CHAPTER XXII

THE FARMER AND THE BANKER

UP to the passage of the Farm Loan act for the advancement of money to farmers at low rates of interest and on long-term mortgages the farmer was in an almost hopeless position in so far as credit was concerned. But the Farm Loan act offers no relief to the would-be farmer who wants to buy land nor yet to the tenant who has no real estate to offer as security.

Credit is as vital to agriculture as it is to industry. The farmer must borrow a part of the purchase price to acquire his land. He must borrow to build, to drain, to clear, to improve. He must borrow for farm implements, to plant his crop, and even to pay wages for harvesting. But the whole fabric of credit, with the exception of the relief now available to owning farmers through the farm-loan banks, is organized against the farmer. He is more discriminated against than any class of borrowers. Yet a properly organized system of banking would make the promotion of agriculture a matter of first concern. Credit in the United States is so controlled that the interests which need credit the least command it most readily and on

the lowest terms. Money can be borrowed for speculation on the New York Stock Exchange at from 2 to 3 per cent. The wheat speculators, food speculators, and middlemen of Chicago, Minneapolis, and elsewhere have every facility extended to them by the banks. Credit to the extent of billions can be had for speculation, yet Stock Exchange credits are not used for production at all. They serve no really useful purpose. They are extended for gambling purposes; for the purchase and holding of stocks and securities. Money for sky-scrapers, for industry, and loans on commercial paper is available at from 4 to 6 per cent. and in unlimited quantities. Yet the farmer, when he comes to market the most secure of all commodities, wheat, corn, cattle, and the produce of the farm, has to beg for assistance, while the tenant farmer, the man who most needs encouragement, has to pay loan-shark rates to secure any credit at all.

Here is another obstacle to agriculture. Here is a further economic explanation of the decay of farming. The farm-loan banks have relieved the owning farmer who has security to offer. He can now borrow at 5 per cent. interest and on long-term loans. No longer need he go to the local banks, the broker, or the private money-lender. And this will aid in checking the drift to tenancy and alien farm ownership which is largely traceable to foreclosures. But nothing has been done to aid the

would-be farmer who has nothing to offer but his labor. There is no provision for the tenant farmer except such as he secures from the local banks or the store which has a claim upon his produce. And the extortion of the banks and money-lenders of the South, the Southwest, and the West is almost incredible.

The Comptroller of the Currency has investigated usury and the excessive rates charged by the banks. A similar investigation was made by the Commission on Industrial Relations. In the South and West the tenant farmer is continually in debt. He rarely escapes.

An elaborate report of the practices of the banks in Oklahoma was made to the Comptroller of the Currency by Judge L. C. McNabb, of the county court of Sequoyah County. It describes how the bankers and money-lenders keep the farmer in bondage, of how they increase the rates and commissions, of how the farmer once involved is rarely permitted to get free, and how as a result his farm is finally foreclosed and he is reduced to the position of tenant or farm-laborer. Probably in no State in the Union have the banks contributed more to the destruction of home ownership than in Oklahoma which a few years ago was one of the richest agricultural States in the nation.¹

The farmer, says Judge McNabb, usually makes

¹ *Report of Comptroller of the Currency, 1915, pp. 218 ff.*

his first loan just before the spring planting, that is, in February or March, in order to put in his crop. He has to sign a mortgage on his horses and some 75 or 100 acres of his land. The banker insists that he must plant nearly all of his land in cotton, in which crop the banker sees the most money, even if it would be more to the farmer's advantage to plant some of it in grain. Finally, he receives \$200 as a loan and makes out his note for \$237.50, payable at "potato-digging" time, about July 1. He is thus paying interest at the rate of 55 per cent. per annum. He has no ready money on July 1, for he has planted no potato crop and never intended to do so. But the banker graciously allows him to renew his note, although complaining about the difficulty of getting money. The rate of interest is now greatly increased. The farmer's note now reads \$287.50, payable October 1, which is an interest rate of 100 per cent. per annum. On October 1 the process is repeated, for the farmer still has no ready money, although he has now begun picking his cotton crop. He hastens the picking, takes some of the crop to town, and pays off a considerable portion of the loan. On the remainder he pays \$10 a month for each monthly extension, which usually amounts to an interest rate of about 60 per cent. a year. During the fall and winter he again pays off some of the principal but extends the rest, a process which goes on through

the picking season till the year is up and it is again February or March and he must borrow anew to plant his crop. Had he put forth his best efforts he could have paid the whole note in full during the picking season, but the banker flattered him upon his good credit and encouraged him not to pay up in full. By March, then, he has paid \$137.50 in interest on the original loan, but finds that he still owes \$100 on the sum first borrowed.

The new note now must be \$300 and interest. It is made out for \$347.50, due July 1, with promises of extensions. When he renews in July he signs for \$397.50, payable October 1. Again he makes payments on the principal in the fall and pays \$10 a month for each renewal on the remainder. But his family needs clothes and other things and he has to keep most of the money he gets for his crop. When the cotton is all gathered in the middle of the winter he finds he owes \$200. Of this sum \$147.50 is interest, of which \$50 has been paid in five monthly "extensions" besides the \$97.50 on the face of the note.

In March this \$200 must be added to the \$200 he needs to make his crop. He now no longer finds the banker gracious. In fact, he is threatened for not having paid more on his old notes, and foreclosure is broadly hinted at. The farmer is now thoroughly frightened and glad if the banker will let him have further credit on almost any terms.

He makes out his note for \$487.50, payable July 1. When he comes for his renewal in July the banker agrees, provided a cold \$75 interest is added. The note now reads \$562.50, containing 75 per cent. compound interest. The poor farmer becomes discouraged and loses hope of paying all he owes. He tries desperately to borrow money from other sources. He is now closely watched by the banker for fear that he will try to "beat it." Now he must bring practically all he gets for his crop to the bank and fairly beg for enough to clothe and feed his family, who, by the way, have all worked hard gathering the crops and have received no reward beyond their barest necessities. In desperation he finally does try to "beat it," and steals out some of his cotton to sell to people who are looking out for just such opportunities. During all this time the note has been reduced only to \$300. He can get no more credit at the bank, although he may succeed in borrowing enough from friends to make his next crop. Meantime, he has had to renew the old note again at ruinous interest, which makes it \$466.50. In the fall the banker takes as much of the proceeds of his crop as possible, and yet, after the season's picking, the farmer still owes \$400. His chattels are now demanded, advertised, and sold at public auction, and the farmer is ruined.

Mr. McNabb says there are thousands of such cases in Oklahoma alone. Those who fight against

the system are ruined politically. The banks, by standing together, can put up and elect their own man as State treasurer. Honest bankers, he says, are the great exception in Oklahoma, for the system is such that good men are driven away from it.

Usury is practised on a vicious scale all over this part of the country. An investigation of conditions was made by the Comptroller of the Currency in 1915.¹ His report showed that on loans of small amounts, such as the tenant farmer is compelled to accept, the interest rates rose as high as 100, 200, and in small sums as high as 2,000 per cent. In some sections the banks have been charging rates that were ruinous to their customers. A Texas national bank with a surplus and capital of \$250,000 in a city of 15,000 sent to the Comptroller, in response to a special request, a statement of all loans made by it between August 1, 1914, and November 27, 1914, upon which the interest was more than 8 per cent. per annum. The statement showed that the rate charged by this bank ranged anywhere from 20 to 100 per cent. on short-term paper. In general the high interest rates, which sometimes exceeded 100 per cent., were on the smaller loans, while notes for \$1,000 or over rarely paid more than 10 per cent. or 15 per cent. interest. As a matter of fact, the extortionate interest rates were almost all to the most necessitous borrowers, who were for the most part tenant farmers. In-

¹ *Annual Report of the Comptroller of the Currency*, 1915, p. 23.

terest rates of 10 per cent., 20 per cent., and 30 per cent. were so common as to seem to be the rule in this bank.

In June, 1915, a number of national banks in the South and Southwest were required by the Comptroller's office to make a report of all loans made by them between May 1, 1915 (the date of the last previous statement), and June 23, 1915, on which the interest, discount, or commission was 12 per cent. or more, providing the amount of the interest, discount, or commission exceeded \$.50. At this period money was particularly easy to get, so that it is safe to infer that the rates charged by the banks, excessive as they were, were probably not so high as they had been during the preceding twelve months. The reports in each case were made under oath by executive officers of the banks. Most of the banks under investigation were in small towns in Georgia, Louisiana, Texas, and Oklahoma. Names of banks and of borrowers are omitted in the Comptroller's report.

Of the 105 loans reported by a certain national bank in Texas, in a town of 2,000, 71 bore interest at 25 per cent. or more. Four were at 100 per cent. or more. A national bank in Oklahoma reporting 112 loans at rates exceeding 12 per cent. admitted that 84 of them bore interest at 25 per cent. or more. In 15 cases the rate exceeded 100 per cent., in one instance even reaching 514 per cent. on a small sum loaned for seven days.

As part of the exhibits in its investigation of usurious interest, the Comptroller's office asked a certain national bank for the record of its loans to one particular borrower chosen at random from a number to whom a series of loans had been made. The bank was requested to send in a list of all the loans made to this borrower during the preceding twelve months. The bank submitted under oath a list of 29 loans made to the borrower, a woman living on a farm six or seven miles from the town in which the bank was located. The loans were all for small sums and on short time, the largest amount being \$620, which was borrowed for twenty-three days. The interest rate on the 29 loans ranged from 36 per cent. to 2,000 per cent. per annum. Of the 29 loans 21 bore interest at the rate of 100 per cent. or more. Fortunately, in this case the borrower was able to pay all the notes in full.

One Oklahoma bank in its list of loans at interest rates exceeding 12 per cent., issued from January 1, 1915, to November 10, 1915, reported 184 at rates exceeding 150 per cent., 75 of which were at rates exceeding 300 per cent. Thirty-three paid interest charges of 500 per cent. per annum or more. In the town in which this bank is situated there are two national banks and two State banks, and one might suppose that competition would reduce these high rates. But the borrower apparently derives no benefit from any such competition. The list of

loans submitted by the other national bank in this town showed no more moderate rates of interest than in the first bank.

Another Oklahoma national bank, in its sworn statement, reported that the lowest rate charged by it on loans between September 2, 1915, and November 10, 1915, was 10 per cent. Its average on *all* loans issued during this period was 25 per cent. In another national bank the average interest rate was 36 per cent. and in a third 40 per cent., the rates at this bank ranging from a minimum of 8 per cent. to a maximum of 300 per cent.

Here again are reasons why men do not become farmers and why those who do so often fail. The wonder is that agriculture has not been more completely destroyed than it is. Free seeds will not help these evils. Nor will education. The economic foundations of agriculture have been neglected. The farmer has been compelled to fight, unaided and alone, against such odds that he is discouraged and often in despair. If the evidences of the Commission on Industrial Relations, if the evidences of a casual traveller in the South and Southwest can be accepted as representative, then there is the most urgent need of a comprehensive programme of national and State legislation for the protection of the farmer and a big, constructive programme on the whole subject of agriculture as well.

CHAPTER XXIII

A NEW AGRICULTURAL PROGRAMME

REFERENCE has been made in previous chapters to the experiments of Denmark and Australia on the control of the food supply and the development of agriculture along new lines. These countries have worked out a comprehensive programme for the ending of tenancy, for easy credit, for placing men upon the farm, and for aiding them in many ways in the marketing of their produce. Germany has adopted a similar policy, and several hundred thousand persons have been placed on the land as home-owning farmers. Even Russia had a big programme in process of development before the coming of the war, while Great Britain has spent hundreds of millions in the conversion of the Irish tenant into a contented home-owner.

As a result of these efforts tenancy has all but disappeared in Denmark, while in Ireland home-owning will soon be the rule. Denmark has become the world's agricultural experiment station. There is little emigration from that country. The people are too prosperous at home. To such an extent has education been carried, and so fully protected

is the farmer in the marketing of his produce through the thousands of co-operative societies that are found in that country, that a man is able to make a comfortable living from a few acres of land.

Since the war broke out nearly all of the warring nations of Europe have worked out more or less comprehensive agricultural policies, all following substantially the same lines and all looking to financial and other support from the state. And all of these projects include cheap credit, long-term loans, and the purchase and sale of land for farming purposes by the state.

As long ago as 1903, Great Britain undertook a solution of the Irish question by the subdivision of the great estates owned by the English gentry. In thirteen years the government has expended \$550,000,000 in the purchase, subdivision, and settlement of 9,000,000 acres of land, or about one-third of the total area of Ireland. An unhappy, poverty-stricken country is being converted into a nation of home-owning farmers. It is expected that by 1920 tenancy will have almost ceased to exist, at virtually no cost to the empire. The money appropriated for the purpose is being repaid by the purchasers in instalments, with interest. A royal commission for England and Scotland is now engaged in making a census of estates and is framing a law under which land will be subdivided and sold to returning soldiers at the close of the war.

In the five years prior to the war Germany appropriated over \$200,000,000 in buying and preparing farms for settlers. Waste land was reclaimed. In the years prior to 1907 the number of holdings under 5 acres in extent increased by 316,678, while in the same period holdings over 100 acres decreased by 20,744. It is said that in the neighborhood of three-quarters of the agricultural land in the empire is now in small holdings. This work is carried on under a settlement commission. Even the great estates in East Prussia, Posen, and Pomerania are being parcelled out, much as was done by Stein and Hardenberg a hundred years ago. Speaking of this policy, the official report on land settlement says:

“The existence of such large landed estates [as those of East Prussia] not only hinders the national progress of the peasant class, but, greatest evil of all, it is the principal cause of the diminishing population of agricultural territories, because the working classes, finding no chances of moral or economic improvement, are driven to emigrate to the great cities and manufacturing districts. Scientific researches also prove that small farms nowadays are more profitable than large, above all, small live-stock improved farms, the importance of which for the nutriment of the people is constantly increasing.

“In 1913 the German Government provided for the compulsory purchase of 70,000 acres of land. Speaking of the areas which were subdivided, it was stated: ‘Where formerly there had been at one end

of the social scale a few rich landowners, often non-residents and exercising an undue political influence, and at the other end a large number of poverty-stricken and discontented peasants and farm-laborers, there is now a great middle class of society, devoted to the empire for what it has done for its members.'"

In the last ten years the Russian Government improved and equipped farms for 3,000,000 settlers. It contracted in the United States for millions of dollars' worth of farm machinery to be delivered after the war, so that homes could be provided for the returning soldiers. As long ago as 1893 New Zealand realized the evils of land monopoly and farm tenancy. The first experiment was very successful, in three years' time the number of people on a single estate having been increased from 40 to 1,000. During the twenty years from 1893 to 1913 New Zealand appropriated \$65,000,000 for buying, subdividing, and settling large estates. During these years the agricultural population grew more rapidly than that of the cities, and in twenty years' time it doubled. When the present war began New Zealand led the world in the per-capita value of its agricultural exports.

The same policy has been followed by other Australian states. Since 1909 over 3,000,000 acres of land have been bought, subdivided, and sold to settlers, and over \$40,000,000 has been loaned to

the colonists by the state. Speaking of these results of this settlement policy, the premier of Victoria, in his budget speech in 1914, said:

"The settlement policy is a demonstrated success. Over large areas in widely separated districts more than ten times as many families are settled comfortably under attractive social conditions as were there five years ago, and they are obtaining returns from their holdings that even less than five years ago were regarded as impossible. The demonstration that families can be fully employed and obtain a comfortable living on from 20 to 40 acres of irrigable land not only insures the financial success of our investment in irrigation works but gives a new conception of the ultimate population which this state will support and the agricultural wealth it will produce."

The land-settlement policies of all these countries are substantially alike. They provide for the purchase of land by the government or the use of the public domain. The land is divided into holdings which can be cultivated without the aid of other labor. The size of the holdings depends upon the nature of the soil and the kinds of crops produced. Applicants for farm ownership are examined to ascertain their fitness and general moral worth. The would-be farmer is required to make an initial deposit of possibly 10 per cent. of the total capital outlay as an assurance of good faith. The farm, when sold, is equipped with a dwelling and out-

buildings, with such cattle as may be necessary, and sufficient working capital for one year's operation. Usually the farmer is not required to pay interest on the capital cost for several years. Then from 3 to 4 per cent. interest is charged and 1 per cent. additional for the ultimate extinguishment of the debt in thirty or forty years.

Usually the state co-operates with the farmer by providing advice and supervision from experts or from the agricultural colleges. Efforts are made to locate the farmers in a colony or village so that the settlers will have some social intercourse. Schools are provided, and recreation as well. Farmers are aided to organize co-operative buying and selling societies so that they can acquire goods at cost and sell in the best markets.

The state-aided settlements in all these countries have been a success. They have not proved a burden to the taxpayers in any country where the plan has been carried out. In some instances they have earned a profit. Under the stimulus of ownership the farmers have built better homes. Owning only sufficient land for a single man to cultivate, they have brought a larger acreage under cultivation. They have improved their live stock and purchased more labor-saving machinery. They have piped water to the dwellings and developed irrigation projects. The number of live stock has been so largely increased in New Zealand—and the same

is true of other countries—that the farmers amortize their loans in a shorter time than that provided by the state. The Canadian commission says of the New Zealand experiment:

“Throughout the country a higher and better civilization is gradually being evolved. The young men and women who are growing up are happy and contented to remain at home on the farm and find ample time and opportunity for recreation and entertainment of a kind more wholesome and elevating than can be obtained in the city.”

When the war is over, it is safe to assume that most of the countries of Europe will turn their attention to the intensive cultivation of the land. England will endeavor to feed herself instead of being dependent upon America and Denmark. The Russian revolution will open up hundreds of millions of acres of land to the peasants of that country. Germany will undoubtedly extend farm colonization projects successfully started before the war. Canada was already experimenting with this policy as well as with the taxation of land values to break up large estates, and will seek to lure settlers not only from Europe but from the United States. Even Mexico has worked out an agricultural programme in some of her states patterned upon the experiments in Europe. All the world will compete for able-bodied men in order to meet the burdens of this war and to re-establish their in-

dustry and life. And partly in anticipation of these conditions, the State of California has created a State colonization commission which is projecting a big programme for the colonization of home-owning farmers in that State. Legislation has been enacted, and an appropriation of \$250,000 has been made with which to buy a large tract of land. The federal farm-loan board is to be asked to co-operate in the development of a colony as described above. It is planned to purchase 10,000 acres of land, and with the aid of experts to determine the size of farms, the kind of agriculture to be adopted, the character and grouping of houses and farm buildings, and the educational, recreational, and co-operative agencies that can be developed in connection with it. The State university is co-operating in the project. It is planned to limit the right of settlers to speculate by restricting the right to sell their purchases. The individual farms, fully equipped, are estimated to cost about \$5,000, to be paid for by the owners within fifty years' time, with interest at the rate of 4 per cent. A minimum capital of about \$1,500 is to be required from each applicant, a large part of which is to be used as working capital.

A similar measure, known as the Crosser bill, is now before Congress. It looks to the creation of a rotary fund of \$10,000,000 for the purpose of developing farm colonies, the farms to be either sold or leased to settlers under terms similar to those

provided in the California measure. Public lands and reclamation projects will be used for the purpose. It has been suggested that the money deposited in the postal savings-banks should be used, and as the payments by settlers come in from year to year, that the fund be rotated, and that new colonies be opened in different parts of the country to serve as experiment stations for States or private persons that are willing to carry out similar projects.

The State-aided farm colony plan does not fully meet the agricultural problem. It does not solve the difficulties of marketing or of transportation. It does not provide cold-storage warehouses or terminals. Nor does it insure cheap land, which is essential to successful agriculture. It does, however, lend the aid of science to agriculture. It does provide education and direction by experts. It offers very cheap credit. Most important of all, ownership awakens ambition and hope. It insures permanency of tenure. It aims to re-establish conditions similar to those which peopled America with immigrants in the days when land was to be had for the asking, and places agriculture on a firmer foundation of security than that which now prevails.

CHAPTER XXIV

THE NEW ERA IN POLITICS

THE old order has gone, never to return. The war has discarded the economic and political ideas which have dominated our life for three centuries. The *laissez-faire* philosophy that the government should do as little as possible is a thing of the past. It was the natural and the inevitable philosophy of a people endowed with a continent so rich in every resource that we felt it could never be exhausted. We could hardly wait until our inheritance had been squandered.

Unfortunately, we did not distinguish between the things the state should retain and the things that should be open to private possession. We did not distinguish between the activities which the state itself should perform, if it desired to preserve freedom for all, and the activities which could be left in private hands. Had we done so, had we taken guidance in recent years from the experience of other countries, we would not now be facing the gravest problem that can confront a nation.

And the condition of agriculture is a direct consequence of this policy. We have wasted our resources and permitted hundreds of millions of acres

of land to pass out of our hands into the possession of speculators. These and other forces are destroying agriculture. A diminishing agricultural population means diminishing food production. Increasing city population means increasing food consumption. This means an increasing cost of living, an increase that is bound to continue unless a violent reversal of our land policy is brought about. The city uses up people. It destroys their virility. The country is the great vitalizing force. Yet people are being crowded off the land, not because they are unwilling to go to it, but because our land laws, transportation agencies, inadequate credit, and marketing facilities are gradually stifling the agricultural life of the nation and bringing about premature agricultural decay. In my opinion America is face to face with the gravest kind of a problem. In some respects it is one of the gravest economic problems that has confronted the country. We cannot have a healthy life unless we have a healthy agriculture. We cannot have healthy agriculture unless economic and social conditions make agriculture attractive. And students of the subject are coming to see that this can only be brought about by the interposition of the government in an intelligent, constructive, and scientific way to protect agriculture as well as the farmer from the exploitation from which he is suffering.

The policy we have pursued has brought us face

to face with one of two consequences. Either we will travel the road of Rome and Great Britain, in which countries agriculture was destroyed by bad economic conditions permitted or created by the state, or we will dedicate ourselves courageously to the ending of the abuses and apply the surgeon's knife to the privileged interests that have gained such control of the economic foundations of our life that farming must inevitably cease to be a profitable occupation. If present tendencies continue we will not be able to feed ourselves. Food prices will rise to exorbitant heights. The standard of living of the poor and even of the well-to-do will be lowered. The future of the United States is involved in the agricultural problem, which is the primary industry on which the life of the state depends.

Bad as is the system of distribution, costly as it is to the consumer and to agriculture, it is far less ominous to our national life than the economic conditions under which farming is compelled to be carried on, conditions which have become so bad that only a big, revolutionary change of attitude by the States and the nation will save it from decay and the farm from extinction.

Rome survived many disasters; she could not survive the disappearance of husbandry in Italy. It was the source of her power. When the Roman farmer was driven from the land and crowded into the cities, there to exist by such labor as there was,

aided by state doles, the nation deteriorated and with it the moral and political fibre of the people. And while ancient Rome is separated by two thousand years from the United States, the causes for the decay of Roman life are the same as those which are undermining the farm in America to-day.

Great Britain has passed through the same evolution and for the same reasons. Two centuries ago England was self-contained. She fed herself. The English yeoman is one of the traditions of the nation. Industry came. The land which had once been owned in common by all of the people or tilled under a system of freehold or easy feudal tenure, passed into great estates, which were let out to tenants at competitive rents, or were dedicated to sport or to grazing. Year by year the number of people engaged in agriculture diminished and year by year the acreage devoted to food was reduced. Those who owned the land lived from the profits of industry, shipping, banking, and the ground-rents of the cities. They were indifferent to the land, because it was not necessary that they should cultivate it, while the laws of the country and the system of tenancy and of taxation discouraged free ownership and encouraged the idle holding of the land. At the present time one-half of the land of England is owned by 2,500 persons, while scarcely 300,000 people out of 43,000,000 have any interest in the land through ownership at all. There are few owning farmers in

England. The agricultural population is a tenant population. The same thing happened to Ireland, which unhappy country lost one-half of its people as a result of alien landlordism and the excessive rentals which were exacted from the cotters by the English landlords, who lived in London from the rentals of their estates. Ireland has been greatly improved by the legislation of the last generation, under which a large part of the land has been acquired by the state and divided into small holdings, which are sold to the tenants on easy terms. But England has refused to extend the Irish land acts to England, Scotland, and Wales, while the system of taxation, by which the local taxes are borne by the tenant, while the land itself is practically free, has placed such a premium on idle land holding that the great-estate-owners find it to their profit to hold land out of use or to cultivate it carelessly or use it for pleasure.

As a result of the land and taxation laws four persons out of five in the United Kingdom live in cities. Only 20 per cent. of the population is on the land. The population is driven to the towns, where it competes with the labor already there, keeping down wages, forcing up tenement rents and gradually weakening the strength and fibre of the people. Underlying the other explanations of the condition of England is the decay of agriculture, the system of landownership and the exclusion of the

people from the land. This has not only made her dependent on other countries for her food supply, it has impaired the moral and physical life of the nation.

The United States has left agriculture a prey to the same economic forces. The farmer has received but little consideration in legislation. He has struggled in vain against a multitude of exploiting agencies, on the one hand, while the economic foundations of agriculture have been left to the free play of economic forces that have gradually placed an embargo upon farming and made it almost impossible for the would-be farmer to gain access to the land and make a decent living after he has gotten there.

And just as the high cost of living waits upon a wide extension of state activities to free the distributing agencies of the country from private monopoly, so the encouragement of agriculture waits on a comprehensive programme of legislation to free the would-be farmer from the prohibitive conditions that now discourage farming.

It is necessary to look at farming from a new angle. The free land has gone. The old order has ended. The new order involves provision for a new freedom. It involves freer access to the land, freedom in transportation, cheap credit, and a new organization of agriculture along socialized lines, so that the farmer will enjoy the advantages of living in communities similar to those described in the

last chapter. It requires but little imagination to visualize a farm life that would be alluring to millions of people. It has been done in the garden villages of England and Germany, where expert town-planners, architects, builders, and educators have built new towns or suburbs in which every possible convenience has been provided at a very moderate cost by the substitution of the co-operative motive for the speculative motive. Increasing land values have been kept for the community. The houses have been designed not to rent, but to sell on easy terms. Water, gas, and electric light and power have been produced by the community and sold at cost. Co-operative buying and selling have cut out the unnecessary middlemen, while provision for education and recreation has added cultivation and happiness to persons of small means, who have been lifted from the sordid surroundings of the tenement into a standard of reasonable comfort by the substitution of the co-operative motive for that of private profit and the elimination of the speculative element from the community.

The same thing can be done for agriculture. It can not only be made attractive to millions, but profitable as well. And such a programme of agriculture-building involves the various elements described in the preceding chapters, just as the problem of city-building, which has made such progress in other countries, involves the combination of simi-

lar co-operative elements. Among the measures that must be incorporated into a programme for the reclamation of agriculture are the following:

One—the taxation of land values as a means of ending speculation and the cheapening of land. Other reforms are dependent upon easy access to the land and the ending of all ownership but ownership sanctioned by cultivation. No man has a right to more land than he will use and use profitably. No man has a right to withhold the resources of the earth from others. Land is the common endowment of humanity. It is the gift of nature to all people. The only title sanctioned by justice is the title of use, and taxation is an easy method and a just method for opening up the resources of the earth to labor.

Two—credit must be socialized. Next to the land it is the most essential of all elements to the encouragement of agriculture. There is no reason why the farmer should pay 10 per cent. interest on his loans for the mere privilege of transportation to the market. Certainly it is one of the absurdities of our system that money can be had by hundreds of millions for speculation on the stock exchange, for speculation in wheat and corn and meat, in eggs and in poultry, at from 3 to 5 per cent., while the farmer, with the best security in the world, has to pay from 10 to 12 per cent. for his commercial loans.

Credit should be an agency for production. Bank-

ing should be an agency of service. Yet our credit resources are concentrated in the speculative centres, principally in New York, when if our banking system were designed for service and adjusted to the encouragement of production, it would be distributed as widely as possible throughout the country.

Agriculture waits on such an extension of the farm-loan act that the farmer can borrow to market his crops, so that the tenant can borrow to operate his holding, so that the tenant and the farm-laborer can borrow to buy a piece of land and become a home-owner. We must end the conditions described in earlier chapters in Texas and Oklahoma, where the farmers and the tenants are the prey of the banks, which make use of their power not only to keep the farmer in subjection but to secure possession of the land by foreclosure as well.

Three—tenancy must be ended. It has no place in any country, least of all in America. Tenancy is a curse to the tenant. It is a curse to the land. Tenancy means shiftless cultivation. It means the exhaustion of the soil. It means lack of initiative, industry, or ambition. Wherever tenancy is found there we have ignorance. There we have a decay of civic virtues. There we have the kind of conditions that prevailed in Ireland, that prevail to-day in England, that prevail in every country that has failed to concern itself over the condition of the

tenant and take steps to end these conditions by converting the tenant-farmer into a self-respecting owner. The stories of how Ireland has been converted from a land of poverty and ignorance into a prosperous country are but indicative of the change which comes even to the poorest when the alchemy of ownership is permitted to play upon the worker and awaken even the most shiftless into self-respect, ambition, and a desire for better things.

Four—all of these elements enter into and form part of the farm colony. This is the natural organization of farming. Co-operative farming is to be the farming of the future. Not compulsory co-operation; not state socialism, but the farm colony in which many of the present wastes will be eliminated and the extortion of land speculator, money-lender, and distributor will be ended. The farm colony involves cheap land. In those countries that have developed it, the entrance of the state into the market as a buyer has immediately increased the price of land. Like every other activity of society it added to the unearned increment of the owners. Land-value taxation is a necessary corollary of the farm colony. Otherwise the land speculator will reap the advantages of the change by an added burden to the colonists.

Credit, too, must be provided at a cheap rate and on easy conditions. And such credit can only be supplied by action of the state under some such

agency as the farm loan board, which is now limited in its advances to existing farmers. And in those countries which have developed the farm colony, the buyer is given from thirty to fifty years in which to pay for his purchase. His interest rate is from 4 to 5 per cent., which includes an annual payment for the amortization of the loan. In this way the farmer is relieved of the fear of foreclosure; he is free from the tyranny of the local banker, who is too often in collusion with the distant miller, warehouseman, speculator or food exchange. Cheap credit also permits of the purchase of machinery, of modern equipment and the buying of good stock, seeds, and other accessories to modern farming.

The farm colony is planned in all its details as is the garden city. There is provision for education and recreation. The houses are reasonably close together. There are stores, schools, telephones, and other accessories of modern life. Materials and supplies are bought in quantities, which reduces the cost. Co-operation is provided in buying and selling. Marketing is made easy, and the farmer is protected by the state in the marketing of his crops. The farm colony aims at the creation of a self-contained life, with as many of the advantages and pleasures which the city offers as possible.

Five—finally the means of distribution must be socialized. The story of Australia and Denmark indicate the extent to which railroads become an

agency of service when owned by the state. Freight rates are cheapened. Low rates are provided for the transport of would-be farmers from one part of the country to the other. Farm-laborers are carried where needed. Low rates are made on fertilizers and farm machinery. The local freight agent becomes the representative of the farmer in the receipt and transshipment of his produce to the state-owned abattoir, or cold-storage warehouse, while the terminals at the seaboard or in the cities are part of a nation-wide system for collective marketing with the minimum of cost to the producer and the consumer as well. The collection and grading of produce for export and sale, the substitution of a public for a private agency in the accounting of the proceeds, the organization even of water transport, are all part of the new programme of agriculture which must be undertaken by the State and the nation if we would free the production of food from the extortion of the chain of speculators and middlemen which now encompass the producer from the moment his produce leaves the farm until it reaches its ultimate destination, possibly five thousand miles away.

The motive of such a programme is not paternalism but freedom. There are some things which the state must do just to insure freedom. When these functions are left in private hands freedom is destroyed. Far from state ownership in these fields

being out of harmony with our traditions, they are of the very essence of that freedom that lies at the heart of our achievements in industry, in commerce, and in the whole economic field. Free land explains the first three centuries of our life. Free access to opportunity is the one big factor that has changed the immigrant peasant of Ireland, Scotland, Scandinavia, Italy, or Germany into the free-minded American citizen. And it is in those fields of endeavor where freedom is still preserved that American ingenuity and American skill have made the most remarkable advances.

And agriculture waits on a programme of freedom—freedom of access to the land, freedom of access to transportation and marketing and cheap and adequate credit. With these assured we can safely rely on the desires of men to take them to the land, as it has for thousands of years, in every country and in every clime, when opportunity was open to them.

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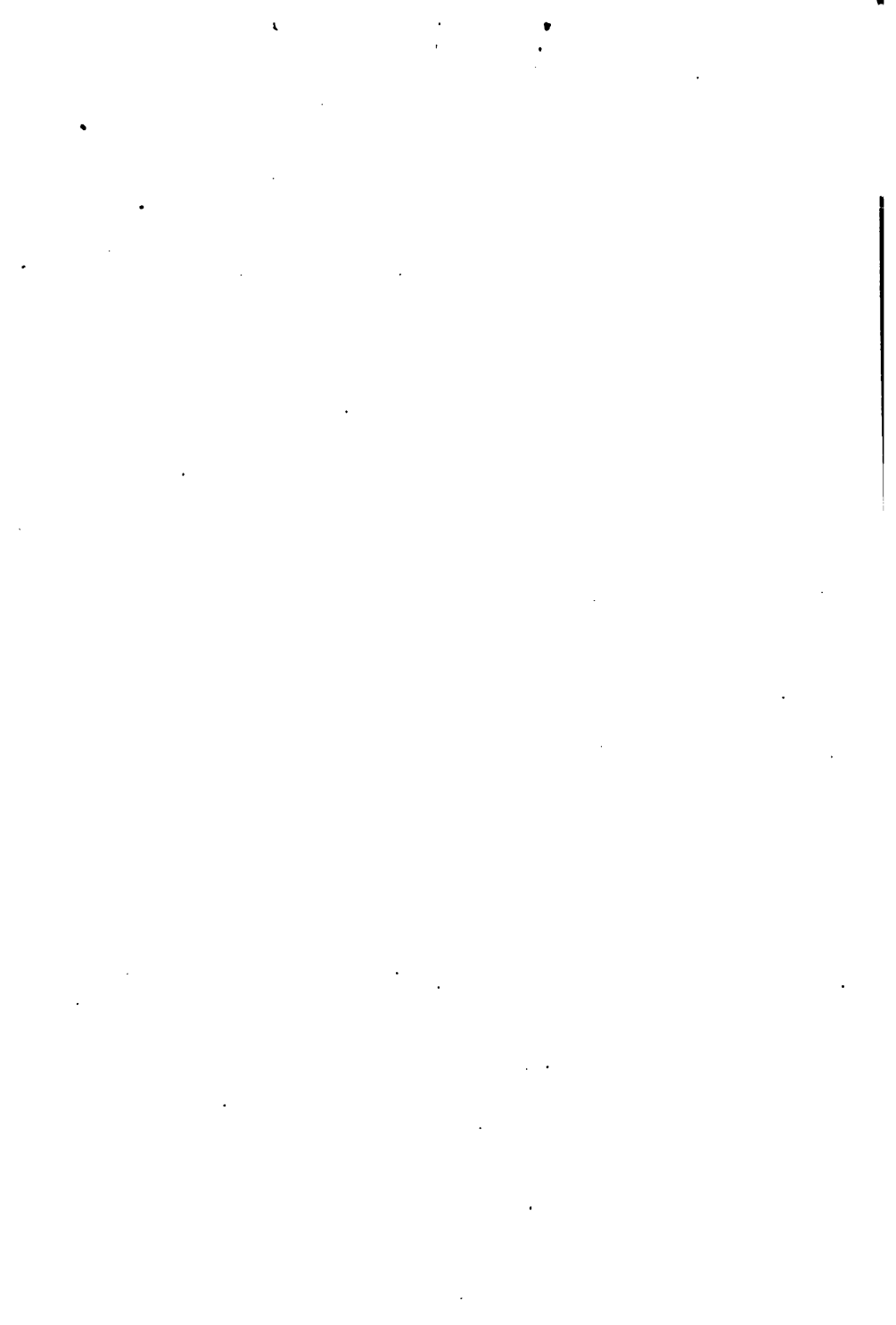
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